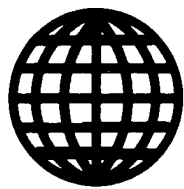


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8 MAY 1992

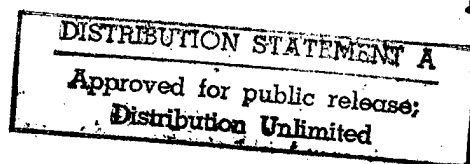


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# ***JPRS Report***

# **China**

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# China

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## CONTENTS

8 May 1992

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Ideological Debates on Economic Interest [ZHENLI DE ZHUIQIU 11 Feb] .....	1
Sun Shangqin on Developing Tertiary Industry [JINRONG SHIBAO 23 Mar] .....	3
Li Yining on Investors Under Shareholding System [GUANLI SHIJIE 24 Jan] .....	5
Year-End Review of Economic Reform Efforts [XINXI 20 Dec] .....	7
Zhao Dongwan on Reform of Management Structure [GUANGMING RIBAO 10 Mar] .....	12
Article Clarifies Ideology of Planning, Market [XINHUA RIBAO 10 Apr] .....	12

#### PROVINCIAL

Heilongjiang Tax Evasion Cases Reported [Harbin Radio] .....	15
Qinghai Province Develops Foreign Trade [XINHUA] .....	15
Guizhou Sets Forth Measures To Develop Economy [Guiyang Radio] .....	15

#### INDUSTRY

Analysis of 1991 Industrial Growth [ZHONGGUO TONGJI XINXI BAO 13 Feb] .....	16
Output of Raw Materials in Jan-Mar [CEI Database] .....	20

#### SMALL-SCALE ENTERPRISES

Impact of Township Enterprise Growth in 1990s [NONGYE JINGJI WENTI 23 Feb] .....	20
--	----

#### CONSTRUCTION

Shanghai Deepens Housing System Reform [QIUSHI 16 Jan] .....	23
Hebei Reports 1991 Urban Housing Construction Figures [HEBEI RIBAO 17 Feb] .....	26

#### LABOR

Heilongjiang Employs Over 1 Million Contract Workers [HEILONGJIANG RIBAO 21 Mar] .....	27
--	----

#### TRANSPORTATION

Heihe-Blagoveshchensk Hovercraft Service Begins [Harbin Radio] .....	27
--	----

#### AGRICULTURE

GAIGE on Private Economy, Rural Socialized Services [20 Jan] .....	27
Jilin Corn Wholesale Trade Market Update [JILIN RIBAO 28 Feb] .....	31

### SOCIAL

Survey Reflects Higher Family Status for Women [XINHUA] .....	32
Roundup Examines Tackling Problem of Illiteracy [XINHUA] .....	32

## REGIONAL

### EAST REGION

Shanghai Policy To Attract Overseas Students [XINHUA] .....	33
Imitation Liquor Said 'Becoming Disaster' [JIEFANG RIBAO 5 Mar] .....	33

### TAIWAN

Businessmen Views on Political Investment [HSIN HSIN WEN 7 Mar] .....	35
Role of Peng Meng-chi in 28 Feb Incident [TZULI WANPAO 1 Mar] .....	38
Four Major Political Homicide Cases Remain Unsolved [TZULI WANPAO 28 Feb] .....	40
Editorial on Wealth Distribution, Six-Year Plan [CHING-CHI JIH-PAO 11 Mar] .....	41
Export Orders Reach Record High in March [CNA] .....	42
Trade Ties With United Kingdom Growing Rapidly [CNA] .....	43
In Fiscal 1993 GNP To Top \$220 Billion [CNA] .....	43
Money Supply Grows at Slower Pace [CNA] .....	43
Cabinet Approves Free Gold Trade [CNA] .....	43
Nation World's 7th Largest Computer Maker [CNA] .....	44

## NATIONAL AFFAIRS, POLICY

### Ideological Debates on Economic Interest

92CM0236A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese No 2,  
11 Feb 92 pp 12-15

[Article by Ye Zhenpeng (0673 2182 7720), deputy director of the Financial Science Institute of the Ministry of Finance: "Rationalize Relationships of Economic Interests, Solve the Problem of Overly Scattered Financial Resources"]

[Text] Since reform, especially in economic development during the Seventh Five-Year Plan period, an exceptionally noteworthy problem is overly scattered financial resources in society. To ensure a sustained, stable, and coordinated development of the national economy, we should, from a macro viewpoint, devote our future efforts to rationalizing and rectifying the following relationships of economic interests to solve the problem of overly scattered financial resources.

1. We should rationalize the relationship between state and enterprise interests, properly define the rights and interests, and initiative of enterprises as operators engaged in commodity production. To develop the commodity economy, it is necessary to protect the rights and interests of enterprises, and fully arouse their initiative in managing production. What are the rights and interests of enterprises owned by the whole people? We cannot give a definition without considering two basic premises, namely, ownership by the whole people and the planned commodity economy. As far as ownership is concerned, these enterprises are not owners but operators, and what is to be protected is the operators' rights, interests, and initiative. The planned commodity economy concerns the way our social resources are allocated. The planned economy and the market economy have different principles. First, they have different ownership systems. Second, they have different mechanisms to regulate resource allocation. In the market economy, resources are allocated through spontaneous market regulation on the basis of capitalist private ownership. Under the planned commodity economy, resources are allocated on the economic basis of public ownership, and through the dual mechanism of planned and market regulation according to the needs of macroeconomic development, and planned regulation is the main mechanism, while market regulation only plays a fine-tuning role. The crux of the rights and interests defined under these two premises is that operators have the right to manage production and share revenue. The right to manage production is carried out by organizing production undertakings according to market demands; this is done primarily through simple reproduction and intensive form of enlarged reproduction, and supplemented by extensive reproduction. Extensive reproduction concerns the regulation of the structure of productive forces, and is a question of macro-allocation of

resources. Under the condition of the planned commodity economy, the main regulatory mechanism should be planned regulation rather than market regulation. The rights of distribution and possession of revenue earned by enterprises belong to enterprise owners, while enterprise operators only have a revenue-sharing right. The right to invest in extensive reproduction is held by the state, which represents the owners of enterprises under the whole people's ownership system and which manages the social economy. Such investment is to be decided on the basis of the overall program for macroeconomic development, and therefore, is a question of macro-policy, not a micro question. The state decides on the use of profits by enterprises for rewards and reinvestment according to the performance of enterprise operators and the needs of the production policy. Even in developed market-economy countries, the rights, interests, and initiative of enterprises within a big conglomerate are no more than what we have described above. To rationalize the relationship between the state and enterprises, the key task is to define the rights and interests of enterprises and what initiative they should take. Specifically, we should guarantee necessary financial resources for the state, and at the same time, ensure that enterprises have necessary independent financial resources to meet the needs of technical progress and market changes, develop production, and improve economic efficiency. The key to invigorating enterprises lies in improving and perfecting their operational mechanisms, rather than simply delegating power and retaining profits, or giving money to them. Delegating power and retaining profits have a dual nature. These measures are necessary in view of the overly centralized system in the past, but they should be carried out appropriately. If power is delegated to enterprises indiscriminately and by wholesale, then we are denying the system of ownership by the whole people, and practicing a market economy. We have met a striking problem in improving the enterprise management mechanism, and that is whether we should continue the contract system. We feel that, under the condition of relatively big economic fluctuations, continuation of the contract system is neither beneficial to the state nor to enterprises. Especially in the case of inflation and price hikes, strict adherence to the base figure specified in the contract inevitably causes the state to get less and less, and enterprises get most advantage from price hikes. Enterprises increasing revenue through "price benefit" is not conducive to improving management, and raising labor productivity. If we analyze this question from a macroeconomic viewpoint, because most of the advantage from price hikes goes to enterprises, and most of the burden of price hikes has to be borne by the state, revenue is bound to be ridden by difficulties as a result of inflation. Moreover, if enterprises and individuals gain most of the advantage from price hikes, investment and consumption will expand, which will aggravate the contradiction between supply and demand, and further drive up prices. The combination of these two trends will throw our national economy into a vicious circle. For this reason, I think that the enterprise contract system should be gradually

replaced by a system of "taxation plus profit delivery" so as to establish a mutually promoting and restrictive operational mechanism between the state and enterprises in developing the macroeconomy.

2. It is necessary to rationalize the interest relationship between the central and local governments, and properly define and divide the administrative authority and financial power between them. The relationship between the central and local governments should be in line with the political system of our country. China has a unitary government, and is not a federal country. In a unitary-government country, the financial backing determining whether state functions are strong or weak is embodied in the central government's finances. Because of over-expansion of local financial power and resources in the course of reform, the central government has suffered financial deficits, and become financially weak. This has reduced the state's ability to regulate and control the national and regional economies, and has hampered the formation of a unified socialist market. Now, the central and local governments lack a rational relationship mainly because there is no clearly defined administrative authority between the central government and the various levels of local government, and because we still have no definite and perfect tax system. To define the relationship between the central and local governments, we should, in the first place, define the administrative authority of governments at various levels, and determine their respective financial power based on their administrative authority. To arouse the initiative of both the central and local governments, it is necessary, first of all, to guarantee that the central government has sufficient financial resources to meet its needs so that the state can effectively regulate macro-production. At the same time, we should see to it that local governments have necessary and stable financial resources to develop their own economic and cultural undertakings. A difficult task in defining the relationship between the central and local governments is how to determine their investment power. We should deal with this question according to the state of development in different periods. Under the condition of a stable economic, political, and social development, we may increase the investment power delegated to local governments. Where there are relatively big economic fluctuations, we should give the central government more power. Without overall initiative, there will be no local initiative, and without a stable national economy, enterprises cannot have a favorable external environment. We should keep to the mindset that activities in the entire country should be well coordinated. This means that we should make overall planning and strike a comprehensive balance.

How should we proceed from reality to improve our financial system? Viewing the current state of financial and economic development, there are three regional categories in our country: One category consists of economically developed regions, which contribute financially to the state. Another category comprises those

regions that can maintain a basic balance between revenue and expenditure. The third category is underdeveloped regions, that is, regions relying on central government subsidies. At present, the tax-revenue-sharing system is suitable for the first category. As for the other two categories, even if they retain all their tax receipts, they can only achieve a basic revenue-expenditure balance or are still unable to meet the normal basic needs of their own localities. In a country with extremely uneven economic development like ours, it is impossible to find a single system that is suitable for all localities. Therefore, we can only apply different systems to different regions. In my opinion, we can take a transitional measure at this moment. We can apply the tax-revenue-sharing system to economically developed regions, institute a "profit-sharing system" in regions where revenue and expenditure are basically in balance (the tax-revenue-sharing system may be implemented in these regions after their economies have developed), and retain the subsidy system in economically underdeveloped regions.

3. It is necessary to rectify revenue distribution in the field of commodity circulation. Financial work should meet the needs of developing the planned commodity economy, and attach importance to and strengthen the distribution and management of financial resources in the field of commodity circulation. With the development of the commodity economy, especially since invigoration of the flow of goods, a lot of financial resources have moved to the circulation field. Yet our current tax system cannot entirely meet the needs of this new situation. Revenue generated from commodity circulation cannot be collected by state financial departments through the current tax system. This has not only resulted in the loss of state revenue, but also added to the disorder of revenue distribution in the field of commodity circulation. In keeping with this change, revenue-distribution and tax policies should be adjusted, and regulation and control over distribution of revenue in the field of commodity circulation should be improved. Meanwhile, it is necessary to strengthen management of price subsidies. Appropriate price subsidies are necessary for certain commodities, but they must be subject to strict control, and put under centralized management. At present, the scope of price subsidies is too extensive, the amount is too high and rapidly increasing. This has not only put too much burden on state financial departments, and increased difficulty, but also affected the process of correcting the current irrational price ratios, and reforming the price and wage systems. While rectifying the scope, categories, and standards of price subsidies, we should improve our subsidy-management measures, and change the guiding ideology of asking the state financial department to give guaranteed subsidies. We should institute measures for the state, enterprises, and individuals to share the burden.

4. We should rectify the management of property rights in state-owned enterprises under the contract, lease, and shareholding systems. We do not agree with the allegation that there are no clear property rights in state-owned

enterprises. Generally speaking, the property rights in state-owned enterprises are clear; that is, the state holds the rights of ownership of the assets on behalf of the whole people. Now, one point still unclear in theory and practice is: What is the property right of operational assets? In my opinion, the property right of operational assets hinges on the possession and use of revenue generated from these assets. This is the key point by which we distinguish between different ownerships of means of production and different owners of assets. Revenue generated from assets owned by the whole people should be possessed by the state, revenue from collectively owned assets should be possessed by the collective, and revenue from individually owned assets should be possessed by the individual. Economically, the possession and use of revenue are a striking expression of ownership. The question of possession and use of revenue from operational assets is, in reality, a question of revenue distribution. Since it is a question of revenue distribution, it should be taken care of by the financial department on behalf of the state. The state financial department should successfully manage the revenue generated by state property rights. Concrete management of properties can be exercised by the competent departments concerned. Therefore, it is the state financial department's responsibility to decide whether the contract system for providing revenue to the state should be continued or whether changes should be made in the revenue distribution system or in the proportion of revenue to be distributed. When rectifying the revenue distribution system, and revitalizing financial work, we must make it clear that primary consideration should be given to the interests of the state financial department in dealing with any question concerning the distribution of enterprise revenue.

5. We should rectify the distribution of enterprise revenue, which includes: (1) Rectification of cost control, profit distribution, and examination of financial results. Now, the economic efficiency of enterprises is low, or more precisely, their financial work efficiency is low. This is reflected in the decline of enterprise profits. The reason is that, before profits are realized, enterprises use part of their revenue to offset some costs or defray some nonbusiness expenditures, thus drastically reducing the amount of revenue that can be distributed. (2) Rectification of enterprise consumption. Now, a number of enterprises are resorting to various ways, including arbitrarily reducing their cost figures, to increase collective welfare funds and bonuses for staff members and workers. Some enterprises "are retaining profits for use as bonuses while depending on loans to meet the needs of production." Investigations by departments concerned show that a relatively large number of enterprises have set aside 80 percent of their profits to be used as welfare funds and bonuses. This has led to expanded consumption. (3) Rectification of enterprise investment right. Should enterprises have the investment right? What kinds of investment can they make? We should have a clear understanding of these questions. Since investment

concerns the development of the overall national economic structure, the investment right of enterprises should be limited primarily to investment in intensive enlarged reproduction. In other words, enable enterprises to meet market demands, the needs of economic and technological development, and correct such problems concerning their production technology and product mix. This is manifested by the big rise in purchasing power due to increased savings and large stockpiles of commodities. Now large amounts of productive forces are lying idle, and there is a growing demand for new investment projects. These problems reflect not only irrational financial structure in the past, but also reflect the weakness of our macro-regulation and control caused by the overly scattered financial resources at present.

Irrational distribution of financial resources is a profound reason for the lack of a remarkable change in the irrational production structure and product mix in our national economy. Without changing the irrational distribution pattern of financial resources, it will be hard to put our national economy on a benign cycle, raise national economic efficiency, and radically improve our financial situation. Hence, from the viewpoint of overall economic development and based on an in-depth analysis of national economic operations, the key task is to improve the distribution pattern of financial resources in our society by gearing up macro-regulation and control over the allocation of such resources.

**Sun Shangqin on Developing Tertiary Industry**  
92CE0376A Beijing JINRONG SHIBAO  
in Chinese 23 Mar 92 p 3

[Article by Sun Shangqin, deputy director of the Development Research Center of the State Council: "Several Issues in Speeding Up the Development of the Tertiary Industry"]

[Text] **I. Status and Role of the Tertiary Industry in the National Economy**

Everyone knows that over the last few years theoretical circles have held several extensive discussions on this issue, and a fundamental question of debate has been "productive labor" versus "nonproductive labor." Some comrades believe that the tertiary industry neither creates value for the total social product, nor creates value for the national income; therefore the tertiary industry is a nonproductive sector, and the labor in this sector is nonproductive labor. Other comrades believe that the labor in the tertiary industry is also productive labor, and the tertiary industry is a productive sector. As should be pointed out, because some localities and departments view the entire tertiary industry as a non-productive sector, they therefore regard investment for the tertiary industry as nonproductive investment, which is a cognitive cause for inadequate investment in the tertiary industry. I believe the tertiary industry's

status and role in the national economy are manifested in the following several aspects:

First, it can better satisfy the people's material and cultural life.

Second, it can alleviate employment pressure.

Third, it can add to the gross national product, and directly add to social accumulation. Merely understanding those three points is not enough; it is also necessary to understand the issue of developing the tertiary industry in terms of its even more important strategic role.

First, developing the tertiary industry is an important aspect of upgrading the industrial structure and modernization. On the one hand, upgrading the industrial structure and modernization depend on the full development of the tertiary industry. On the other hand, the tertiary industry's development itself is an important aspect of the upgrading of the industrial structure and modernization of China.

Second, the development is needed to continue reform in China. As the practical experience of reform over the last dozen years in China indicates, without development of the tertiary industry, and without well-developed circulation sectors as well as transportation, posts and telecommunications, finance, and insurance sectors, it will be difficult to establish a complete market system, or implement the functioning mechanisms of the socialist planned commodity economy based on the combination of planned economy with market regulation.

Third, the development is an important condition to ensure the rapid development of the national economy, and achieving stability and coordination. Without full development of the tertiary industry on the basis of continuous improvement of labor productivity in the primary and secondary industries, it will also be difficult to achieve the rapid development of the national economy and climb one more step.

## II. Achievements and Problems in Developing the Tertiary Industry in China

In the 1980s, the tertiary industry in China turned around its situation of enduring stagnation and decline, and achieved good development.

First, its share of the output value of the three industries increased markedly. In 1989, the output value of China's tertiary industry reached 418.5 billion yuan, accounting for 26.5 percent of GNP. In 1990, the output value reached 473.3 billion yuan, accounting for 27.2 percent of the GNP. Although the 1991 level is lower than the 1952 level of 28.6 percent of GNP, it is a substantial improvement compared with the early 1980s' level of around 20 percent.

Second, there has been a continuous increase in the number of employees. In 1980-1989, 129.68 million new

jobs were created in China. Of these jobs, the tertiary industry provided 45.85 million, accounting for 35.36 percent of the total number of new jobs. Thus, it has become the industry that absorbs the largest amount of newly added labor force.

In the 1980s, the development of the tertiary industry also strongly promoted development of the primary and secondary industries, resulting in prominent accomplishments. However, problems remain, and these problems can be summarized as follows:

1. Relative inadequacy of total amount. First domestically, its share has not yet returned to the level achieved during the First Five-Year Plan period. Second, it is still unable to meet the needs of the development of the primary and secondary industries as well as the entire national economy. Comparing our current figures with those of other countries, we see that presently the tertiary industry's share of the GNP is 50-60 percent or even more in economically developed capitalist countries. The share is 30-50 percent in medium-income countries, and usually below 30 percent in low-income developing countries. However, by 1989, China only reached 26.5 percent, the lowest in the world except for Uganda. In terms of labor employment composition, presently, the share of tertiary industry jobs in the total number of jobs is around 60 percent in economically developed countries. In China, that share was 12.6 percent in 1980, and reached 17.9 percent only in 1989.

2. Irrational structure, which are mainly:

- (a) Development of the transportation industry is slow, which seriously constrains the development of the national economy. In 1984, the ratio of the growth rate for industrial production to the growth rate for goods circulation is 1:0.72, lower than the normal level. In 1988, the ratio further declined to 1:0.35. The transportation sector has become the bottleneck for the development of the national economy.

- (b) Development of the productive service industries is inadequate, and this hampers the process of specialization and socialization.

First, with regard to circulation for enterprises, the underdevelopment of commercial circulation directly increases the need for circulation funds, and seriously reduces the return on funds for enterprises. According to World Bank estimates, in China the ratio of circulation funds to fixed funds is 57 percent, much higher than the 15 percent level in other countries.

Second, with regard to information and consultation, the development of the new industries which provide information and consultation to enterprises is inadequate. There is an information blockade between sectors. The lack of information and the distorted nature of information exert unfavorable impact on the enterprise development.

Third, although the finance and insurance industries have achieved significant development, they are still far from being able to meet the objective needs of today's economic development. Consequently, on the one hand, the state's financial situation is very tight, and is short on funds; on the other hand, there are large amounts of idle funds in society, and funds are not used efficiently.

### III. Thoughts on Policies To Speed Up the Development of the Tertiary Industry

First, in terms of understanding, correctly understand the tertiary industry's status and role in the national economy. It is necessary to see the losses to the national economy caused by underdevelopment of the tertiary industry, and to see the importance of accelerated development of the tertiary industry.

Second, in formulating development plans for the tertiary industry and its different sectors, it is necessary to provide policy encouragement and support for the development of the tertiary industry. In the tertiary industry, the tourist industry should be a key area of development.

Third, continue to solve the problem of low price for the tertiary industry. In China's tertiary industry, the prices for transportation, posts and telecommunications, medical care, food, service and repairs are set on a long-term, uniform basis, and are under unified management. Prices have not changed in decades. Prices reflect neither value nor supply and demand relationship. This is an important reason for the slow development of China's tertiary industry. To solve this problem, it is necessary to make the law of value the basis, and reform the price structure and pricing system.

Fourth, transform the operating mechanisms of the tertiary industry, reform the "free supply system" for social welfare, and implement commercialized operations of the tertiary industry. It is necessary to move tertiary industry units with the necessary conditions towards enterprise-like operations, thereby bringing the development of the tertiary industry into the orbit of the socialist planned commodity economy.

Fifth, solve the problems of macroeconomic environment and system for the development of the tertiary industry, through comprehensive, continuing reforms.

### Li Yining on Investors Under Shareholding System

92CE0385A Beijing GUANLI SHIJIE  
[MANAGEMENT WORLD] in Chinese No 1,  
24 Jan 92 pp 18-20

[Article by Li Yining: "The Nature of the Shareholding System Depends on the Nature of the Investors"]

[Text] Looking ahead in the 1990s, there will be a gradual increase in the number of enterprises with shareholding systems among China's ordinary businesses. But academic circles differ on the question of how the scope

of these shareholding system enterprises will be determined. If we are not clear on the nature of shareholding system enterprises, this will be an obstacle to expanding shareholding system test points. For this reason I want to offer some talking points on this issue.

The nature of the shareholding system depends on the nature of the investors. In China, when we are talking about domestic investors, on the whole they fall under the following four categories: A. The state: In shareholding system enterprises, the state as investor is characterized by state shares [guojiagu] (also called state owned shares [guoyougu]). All levels of state owned asset management organs and their subordinate state owned asset management corporations hold shares as actual investors. B. Enterprises: This refers to various types of existing publicly owned enterprises. As investors, through mutual holding of shares and in shareholding system enterprises they hold enterprise corporate shares. C. Individuals in society: If the shares of a shareholding system enterprise are approved to be openly put on the market, then individuals in the society may become stockholders. These stocks may be called social individual shares. D. Employees of the enterprise: If a given enterprise staff adopts a common shareholder type arrangement, these shareholding system enterprise employees become actual stockholders. These stocks can be termed employee stocks.

The four types of investors listed above may be divided into state owned stock (A), enterprise corporate stock (B), social individual stock (C), and employee stock (D). Of these, state owned stock (A) is of a publicly owned economic character. Enterprise stock (B) is also of a publicly owned economic nature. Social individual stock (C) has a privately owned economic nature. The nature of employee stock (D) is an issue that requires some study. I agree with the view put forward by comrade Jiang Yiwei [5592 0001 5517]: When enterprise employees hold stock in that enterprise it has a cooperative economic nature. I think that this is primarily due to the following reasons: (1) This is worker shareholding in the enterprise itself. Worker income is still based primarily on distribution according to work, with distribution of stock dividend income being supplementary. This accords with the principle of a cooperative economy. (2) Employee shareholding in the enterprise is shareholding of a common type, with small shareholdings (on average employee held stock is only a very small proportion of the total assets of a given enterprise), and this also agrees with the principle of a cooperative economy. (3) The stock held by each employee is a very small proportion of the total assets of a given enterprise, hence employees, by depending on individually held stock totals have no way to get on the board of directors, but because employees of the enterprise are common shareholders, they can elect an employee representative to the board of directors to participate in the management of the shareholding enterprise. This situation and the case of social individual holding stocks are clearly different.



Based on the above analysis, we may consider that employee stock has a cooperative economic character. A cooperative economy is one form of public economy. Therefore, employee stock should also be classified as a type of public economy.

Leaving aside Chinese foreign joint venture shareholding system enterprises, based on the nature of the investor, the four types of investor form 15 types of investor formed shareholding enterprises. These are: A, B, C, D, AB, AC, AD, ABC, ABD, ACD, BC, BD, BCD, CB and ABCD.

Because A (state owned shares), B (enterprise corporate shares), and D (employee shares) are of the public economic type, and C (social individual shares) is a private economic type, of the 15 types of shareholding system enterprises given above, seven are of a public economic type: A, B, D, AB, AD, ABD, and BD.

C is of a private economic type.

The remaining eight can be primarily of the public economic type, or be of a mixed economic nature. They are: AC, ABC, ACD, BC, BCD, CD and ABCD.

These eight shareholding system enterprises are actually based primarily on public economy and are of a mixed economic nature, and we should take the proportion of C in the total assets of a given enterprise as a standard.

If  $C/(A+B+C+D)$  is less than 50 percent, then the given shareholding system enterprise is primarily a public economic type. If  $C/(A+B+C+D)$  is greater than 50 percent a given shareholding system enterprise has a mixed economic nature.

Viewing the present situation in China, in the process of developing shareholding systems, we will focus on public economy and primarily public economic shareholding enterprises, particularly the above described shareholding system enterprises AB, ABD, B and BD and the ABC, ABCD, and BCD type shareholding enterprises with  $C/(A+B+C+D)$  less than 50 percent. In this manner, we will be able both to give full play to the leading role of the public economy within the national economy, and be able to mobilize a large quantity of social capital, and use it to expand reproduction, and to benefit development of the national economy. Of course, the A type shareholding system enterprise described above also cannot but be formed. This is because though A is a state owned share system, through reform of the state owned asset management department management system, state owned share shareholders cannot only be a certain individual state owned asset management office or a certain individual state owned asset management corporation, but can be several state owned asset management offices (central and local) or a number of state owned asset management corporations, because the board of directors cannot be made up of representatives of a single investment entity, but will be formed from a

number of representatives of individual investment entities. When a major policy decision is to be made concerning management of an enterprise, the board of directors will conduct ample discussion, with the goal of increasing economic efficiency, and preserving the rights and interests of state owned assets. I have all along believed that "in a normal business, even if the shares are 100 percent state owned, adopting a shareholding system is still better than enterprise organization under the traditional system." This is reflected in the reasons described above.

Next, we will analyze primarily public economic shareholding system enterprises with  $C/(A+B+C+D)$  less than 50 percent, and some mixed economic type shareholding system enterprise with  $C/(A+B+C+D)$  greater than 50 percent. It should be understood that even though C is made up of social individuals holding shares, and has a private economic nature, but if shares are issued to the public stipulating an upper limit on the number of shares that may be purchased by any one individual (for example, the shares held by any individual cannot exceed 1 percent or 2 percent of the total assets of the enterprise), then we should consider the dispersed nature of the shares held by the social individual, since an individual normally will not be able to get on the board of directors. Thus the board of directors will still be made up of representatives of A, B and D public economy shares, and the decision making power of the shareholding system enterprise will be in the hands of representatives of the public economic shares. I once stated that under a shareholding system, the size of public economic power does not depend on the size of the capital held by the public economy itself, but on the amount of allocated capital returned to the public economy. If the public economy could use its own capital to allocate a certain social fund, then is there actually a weakening of the strength of the public economy, or an expansion of the strength of the public economy? Under conditions where representatives of the public economy control the enterprise board of directors, the answer is certainly the latter, and not the former.

Let us investigate the purely private economic (C) type shareholding system enterprise. A shareholding system enterprise made up completely of social individual shares is a privately managed shareholding system enterprise. A privately managed economy in the present stage of socialism is a complement to the public economy, and it can supply some of the commodities and services required by society, increase tax revenue, expand enterprises, dredge circulation channels, and makes things convenient for urban and rural consumers. But if such an enterprise is poorly managed, the negative effect of the privately managed economy cannot be overlooked. Therefore, the issue depends on how management of the public economy is strengthened through laws, regulations and policies. When talking about strengthening management, managing privately managed shareholding system enterprises will be somewhat more convenient than managing decentralized, individual proprietorship,

or partnership managed private enterprises. This is because: 1) Since it is a shareholding system enterprise, it must respect and handle matters according to the regulations for shareholding enterprises, and if during a certain period it convenes a shareholders meeting, and publicly announces the asset, liability and loss situation of the enterprise, this is beneficial to supervise and manage the enterprise. 2) Since it is a shareholding system enterprise, and it must respect and handle matters according to the regulations for shareholding enterprises, it must use a portion of profits as an accumulation fund (enterprise development fund), and cannot consume all profits. If it is a sole proprietorship or partnership privately managed enterprise, the phenomenon of owners freely spending and using up profits is difficult to control. From this viewpoint, at China's present stage, it is necessary to strengthen management of the privately managed economy, and in addition to the tremendous amount of work being done through business administration departments, enforcement departments, and finance departments, permitting the existence of privately managed shareholding system enterprises and guiding them is one possible measure to be taken.

Finally, I want to discuss the issue of the appearance, after shares are publicly put on the market, of a group of people with income that will tend to be high. We should not evade this point, but can adopt measures before and afterward to regulate the situation. The goal of regulation beforehand is the prior stipulation of the shares of certain business and enterprises that can be publicly put on the market, and those that cannot be publicly marketed. Among those enterprises whose shares may be publicly marketed, there should be prior stipulation of an upper limit on the proportion of the total assets of a given enterprise that a social individual may purchase. Later regulation should be directed not only at strict implementation of individual earnings regulation taxation, but in the future should also levy inheritance taxes and individual property transfer taxes. So long as prior regulation and later regulation are appropriate, the issue of some people having high income after shares are publicly sold can be properly handled.

#### **Year-End Review of Economic Reform Efforts**

92CE0320A Chongqing XINXI [SYSTEM REFORM NEWS] in Chinese No 24, 20 Dec 91 pp 8-11

[Article by Peng Shen (1756 2450) and Xu Dong (6079 2639): "Review of the Restructuring of the Economic System in 1991"; the authors are affiliated with the Comprehensive Planning and Pilot Projects Department of the State Restructuring of the Economic System Commission]

[Text] 1991 marked the first year of the Eighth Five-year Plan. After three consecutive years of rectification and improvement, and with the concerted national effort, China's economy finally ended a period of sharp industrial downturn and market slump and began to move toward normal growth. The overall economic situation

continued to improve. The tasks of rectification and improvement were basically completed. Under the leadership of the party Central Committee and the State Council, and under the spiritual guidance of the Seventh Plenary Session of the 13th party Central Committee's "Proposal," the pace of restructuring of the economic system was accelerated this year. Some important reform measures were introduced, and reforms in some areas made concrete progress. Looking back at the whole year, the reform situation was indeed very good and the results were outstanding. In particular: 1) we upheld the socialist direction of reform; 2) we handled properly the relationship between reform, development, and stability; 3) while exploring ways to combine planning and market regulation, we also made progress in developing the market. Specifically:

#### **I. The Party Central Committee and the State Council Attached Great Importance to the Restructuring of the Economic System, and the Reform Effort Picked Up New Momentum Nationwide.**

1. *The party Central Committee and the State Council convened several important meetings to make reform plans.* Acting in the spirit of the Seventh Plenary Session of the party Central Committee's "Proposal," the State Council held a National Restructuring of the Economic System Work Conference in February of this year. At the meeting, Premier Li Peng advised special care in handling the relationship between reform, development, stability, and opening up and the relationship between the state, collectives, and individuals. He said that bearing in mind what the state, the units, and individuals could withstand, we should make a precise choice of feasible programs, intensify the reform effort in a timely fashion, and accelerate the pace of reform. At the meeting, the "10-Year Restructuring of the Economic System Program and Outline for the Eighth Five-Year Plan" was ratified. It was unprecedented in the 12-year history of the reform. The "Key Points of the Restructuring of the Economic System in 1991" was circulated after the meeting to further clarify this year's key economic reform tasks. In October of this year, the party Central Committee held its own work meeting specifically to discuss the issue of how to improve the large- and medium-sized state-run enterprises. After carefully analyzing the current economic development and reform situations, 20 new measures were formulated to boost enterprise vitality. In November, the Eighth Plenary Session of the 13th Party Central Committee conducted a special study of work in progress in the rural areas and made special rural economic reform arrangements and plans to guarantee success and push China's agricultural production to a higher level.

2. *Local economic reform departments took local conditions into consideration, formulated plans, emphasized key points, and gathered many new experiences.* While the localities generally formulated their own medium- and long-term reform programs, each had its own special features in this year's reform. Shanghai Municipality focused on reform in five main areas: the housing

system, staple and nonstaple food prices, enterprise system, social insurance system, and the financial system. Sichuan Province made enlivening the large and medium-sized enterprises the central link and focused on making the reform and opening up measures already introduced even better and more thorough. It paid special attention to complementing and coordinating the reform measures and took new steps to change the economic system and operating mechanisms. Anhui Province focused on rural reform while giving impetus to the reform of the enterprise system, circulation system, and housing system at the same time. Through practice, Chongqing, Shaanxi and other localities gained useful experience in improving the circulation sector, and so did Tianjin with respect to the urban grain management system and Beijing with regard to the enterprise system.

*3. Leadership and coordination in the restructuring of the economic system were enhanced.* After the State Council decided to install a large membership system in the State Restructuring of the Economic System Commission early this year to better coordinate the economic reform programs, Jiangsu, Guangxi, Henan, Shandong, Heilongjiang, Guangdong and other provinces (prefectures) also handed down instructions to further clarify the duties of the local restructuring of the economic system commissions; some even adopted the large committee membership system to facilitate the coordination of reform tasks. Heilongjiang Province stipulated that the 11 relevant departments' leading comrades in deputy positions would also serve concurrently as committee members. Xinjiang and Suzhou and other areas upgraded their restructuring of the economic system offices into commissions to strengthen organizational leadership. Some local restructuring of the economic system commissions (offices) also set up training classes and established a cadre training, evaluation, and exchange system to promote continuous improvement of the quality of the economic reform contingent. Some State Council departments, such as the Ministry of Metallurgy Industry, Ministry of Energy Resources, Ministry of Water Resources, Ministry of Textile Industry, State Land Administration Bureau, State Administration for Industry and Commerce, and the Ministry of Construction, acted in the spirit of the National Restructuring of the Economic System Work Conference in arranging and planning their own reform tasks.

## **II. The Task of Signing a Second-Round Contract With the People-Owned Enterprises Is Basically Accomplished, and Progress Has Been Made.**

*1. Several contract systems and methods were looked into and accepted.* These include using an economic efficiency-based norm which focuses on asset and profit ratios; a development momentum-based norm which emphasizes technological transformation; a management norm which emphasizes improving enterprise quality. Together, they form a complete and comprehensive quota system. The Ministry of Construction has improved its "wage-inclusive per hundred yuan output

value contract" method, and by propagating the Lubuge experience, it turned some construction enterprises into knowledge-intensive principal contractors. Jiangsu Province has decided to replace the current set of norms that emphasize output value with a new system which emphasizes efficiency. In order to implement the system province-wide beginning next year, it has begun to make preparations and train people.

*2. The contract bases have become more scientific and reasonable, and there are more ways to determine the base.* Heilongjiang is promoting a method of contracting which features "upgrading after meeting the target." Jilin, Guangdong, Shandong and other areas have adopted the method of "choice of increments in different grades at separate levels." These methods focus on offering different grades based on different contract bases, so that instead of feeling that they "have to contract," enterprises "want to contract." This has strengthened the motivation mechanism and mobilized the contractors' enthusiasm. After Shandong's Zibo City adopted this method, enterprises were so eager to choose the contracts with high-grade base that the city was able to complete its contract tasks in less than 40 days.

*3. The contract managers have stabilized.* Nationwide, most contractors have either signed new contracts or renewed old contracts. In Sichuan Province, 80 percent of the enterprises are contracted by the original managers.

*4. We began to link improving the contract responsibility system to strengthening enterprise internal management and promoting enterprise technological transformation.* Many enterprises improved management standards and became more competitive by developing and improving their internal responsibility systems. For example, Beijing Municipality vigorously propagated the experience of stabilizing the contract management responsibility system spearheaded by Capital Iron and Steel. Since it adopted the input-output total contract system in 1985, the [Beijing] Petrochemical Company has given play to the superiority of group management and has increased enterprise vitality. Shandong's Jining City followed the concept of using "taxation to fund public finance and profit to enliven enterprises" to perfect the contract system and have since shown strong developmental momentum. Shandong Province systematically transformed their administrative enterprises and developed enterprise groups to take advantage of scale economy; they have begun to compete internationally. Shenzhen's Petrochemical Group improved its product-mix by first improving management; it has helped the group's five enterprises turn losses into profits.

## **III. Implementing 20 Measures To Boost the Large- and Medium-Sized Enterprises' Vitality Was This Year's "Showstopper"**

Prior to the Central Party Committee's work conference in September of this year, the State Council had proposed 11 measures to enliven the large and medium-sized enterprises, three of which were put into effect

fairly quickly: 1) More money was put into enterprise technological transformation. The banks advanced 5 billion yuan in loans, and these technological transformation loans have basically proven useful. 2) Bank loan rates were lowered as of 21 April. 3) All regions and departments extended special favors toward the nation's 234 "double-guaranteed" enterprises in terms of energy resources, goods and materials, transportation, and funds. Of the 11 measures, another six are still being implemented in steps: 1) The Finance Ministry, the State Planning Commission, and the State Production Commission have raised the equipment depreciation rate by 10-30 percent for 896 of the nation's large- and medium-sized state-run enterprises and have exempted them from paying the "two funds" out of their increased depreciation. 2) A preliminary list of enterprises qualified for more new product development funds has been prepared. 3) Enterprise circulation fund will be supplemented as soon as possible. Enterprises are in the process of raising 20 billion yuan of their own while the central and local governments are coming up with 10 billion yuan each in supplemental funds. 4) The State Council has made a preliminary decision on the first batch of 55 enterprise groups to take part in a pilot project. 5) From 15 Aug when the northeast region began to sort out enterprises' "triangular debts" until 31 Oct when the state came up with 28.4 billion yuan in bank loans and the localities and enterprises raised 2.2 billion yuan of their own, nationwide, 101.1 billion yuan in bad debts have been sorted out, completing the task of settling one-third of the nation's bad debts ahead of schedule. 6) The State Council has twice convened a work conference to deal with the "three chaotics" and has urged all parties to join the war and produce some concrete results in lightening enterprise burdens in six month's time.

After the party Central Committee's work conference, relevant departments of the State Council reiterated the importance of implementing the 20 measures to improve the large- and medium-sized enterprises. The State Restructuring of the Economic System Commission began to study and discuss the detailed rules and regulations for implementing the "Enterprise Law" and ways to introduce the large- and medium-sized enterprises to the market. The State Council also set up a Distribution System Reform Committee. Its primary task is to study ways to reform society's overall distribution system. The provincial party committees and provincial governments also took active steps to find ways that are compatible with local conditions to improve the large- and medium-sized state-run enterprises. Sichuan, Tianjin, Jiangsu, Liaoning, Beijing, Shaanxi and other provinces and municipalities diligently put the "Enterprise Law" into effect and sorted out documents that were in conflict with that law. They also promulgated a series of local policies and measures to enlivening enterprises. While giving enterprises the right to make production and management decisions and creating fair external conditions for enterprises to compete in, they also began to shift the focus of enterprise reform to the internal management mechanisms. Besides promulgating 15

measures for enlivening enterprises, Beijing Municipality also offered enterprises a choice of six different reform formats. In a pilot project, Shanghai Municipality allowed selected enterprises to adopt the management methods of the "three kinds of wholly and partially foreign-owned enterprises" to encourage them to change their management mechanisms. These attempts played an exemplary role nationwide. In addition, provinces like Jiangsu and Zhejiang and other areas which have a high concentration of township enterprises have used "the market as lead and science and technology as backup" to actively promote the restructuring of township enterprises and raise them to another level.

#### **IV. Reform of the Circulation and Pricing Systems Made Fairly Big Strides**

Beginning on 1 January of this year, the foreign trade system has further improved its management mechanisms. It has abolished export subsidies and has slowly developed a management system and operating mechanisms which "make uniform policies, promote fair competition, let enterprises make autonomous management decisions, let them take responsibility for their losses and profits, integrate industry and commerce, promote the agency system, and encourage enterprises to unite against the outside world." After a year, practice proved that despite the abolition of foreign trade subsidies and partial tax refunds to reduce local burdens, the localities are enthusiastic about increasing export, and there are fewer foreign trade debts. Both the Guangzhou Trade Fair and Harbin's Sudong Trade Fair did more business this year, and October's foreign export value was 11.9 percent higher than last year's during the same period.

With respect to reform of the grain circulation system, on 1 May of this year, a substantial price adjustment was made to parity-price grain and oil which had not seen a price change in the last 25 years. It was a big step forward. Because of timely propaganda and meticulous planning, the people supported the change and the measure was introduced smoothly. With the State Council's approval, Guangdong, Hainan, and Fujian also introduced their own grain price reform programs. Basically their grain is now sold at procurement price. Sichuan's Guanghan City and Fujian's Shishi City introduced their grain price reform programs in April and August respectively. The market is stable, and the people feel secure. With respect to the grain management system, many provinces and cities have learned from Tianjin's experience to "separate policy-oriented operation from normal operation and draw a line between profits and losses" when introducing their own parity-price grain and oil management reform measures; they have all reduced their financial subsidies. While developing their primary grain markets, Zhengzhou, Heilongjiang, Jiujiang, Wuhu, Hubei, Jilin, Weihai and other provinces and cities have also opened wholesale grain markets.

In order to enliven the state-run commercial enterprises, the localities explored different helpful approaches. Early this year, Chongqing City started the "four open

up" pilot project pertaining to management, prices, distribution, and worker utilization. At first there were 11 enterprises in the pilot project, but it grew to 270 enterprises within six months. The city's total commercial sales and purchases soared. Its six-month realized profit equalled the whole of last year's profit. This reform measure has been endorsed by the leading comrades of the State Council, and many provinces and cities are actively promoting the system. Suzhou, Wuxi, and Changde prefectures have been very successful in nurturing and developing the market and have been effective in enlivening commodity circulation and making it easier for people to buy and sell goods. The socialist commodity market system is taking shape.

Other markets also saw new development. The capital goods distribution centers which first appeared in Wuxi, Shenyang, and Shijiazhuang and the experimental keiritsu-like enterprise groups in Shenyang and Suzhou are new ways to make the circulation of goods and materials more society-oriented, encourage enterprises stock a reasonable amount of goods, and promote the circulation of capital goods. Coordinated and encouraged by the Ministry of Materials, the No. 2 Automobile Plant has established a stable supply-demand relationship with 22 steelworks, including Wuchang and Daye Steelworks. Preliminary readjustment of the stock market was completed early this year. In the issuance market, for the first time, 59 financial institutions underwrote the issuance of treasury notes. This marked an important turning point in national debt issuance in China. Meanwhile, all sorts of financial bonds, enterprise bonds, and investment bonds were introduced and there was an increase in stocks of all types. In the circulation market, the stock exchanges opened in Shanghai and Shenzhen; an automatic quotation system was installed. We are moving toward standardization.

With regard to price reform, besides adjusting the sale price of state monopolized grain and oil, progress was made in three other areas: 1) New advances were made in readjusting the price structure. The state readjusted the prices of crude, refined oil, iron and steel, and railroad freight transport and put the new prices into effect during the first six months of this year. 2) New impetus was given to the restructuring of the pricing system. Local governments were given more power to make price adjustment decisions. Shaanxi and other provinces sorted out the list of prices under their jurisdiction and decontrolled all prices that could be decontrolled. 3) Price management work made good progress. Nationwide, efforts to curb unreasonable fees have produced results. The localities have abolished some unreasonable fees and lowered some excessive charges. In addition, 510,000 cases of violations have been investigated and dealt with.

#### **V. The Climate Is Right for Reforming the Social Security System and the Housing System**

With respect to the reform of the social security system, in line with the principle that the state, collectives, and

individuals should bear a fair share of the burden, and after several years' experimentation, currently, nationwide, 75 million workers in state-run enterprises and 2.5 million in large collective enterprises are taking part in the retirement program and 2,220 counties have put retirement insurance under a society-wide plan. The state-run enterprises have also set up a preliminary unemployment insurance system. This year, localities and departments nationwide showed great enthusiasm in implementing reform of the social security system. The Ministry of Civil Affairs launched pilot projects to reform the retirement insurance system in 20 rural counties. The Ministry of Personnel has set up a pension system for foreign-affiliated enterprise and institutional workers. Henan has introduced an individual and collective workers' retirement insurance system. Hainan and Shenyang and other localities have set up a social security reform leading group to plan and guide this important reform task.

With respect to reform of the housing system, currently, eight cities and 13 county towns have implemented comprehensive reform and more than 300 cities and towns are implementing item-by-item reforms. Shanghai's reform of the housing system which caught the nation's attention began in May of this year. Because the reform program and the detailed rules and regulations are scientific and manageable, it has been widely accepted by the citizens and is considered a crucial step in putting Shanghai's housing construction onto a benign cycle. In October of this year, Beijing convened the Second National Housing System Work Conference to further clarify the need to implement nationwide housing reform next year and to speed up the creation of a macroclimate to facilitate such nationwide housing reform. After the meeting, Beijing, Hunan, Jiangsu, Anhui, Guangxi, and other areas enthusiastically expanded their housing reform pilot projects. Of Hunan Provinces' 104 counties and cities, 64 have launched comprehensive or single-item reforms; more than 20 percent of the workers who rent housing in the cities and towns are taking part in the reform program. Of Jiangsu's 11 cities, seven have plans to introduce a housing reform program within the year. A provincial housing reform program has already been discussed by the provincial party committee.

#### **VI. Reform of the Financial and Taxation Systems Made New Progress**

With regard to financial reform, after readjusting the deposit rate, loan rate, and RMB exchange rate four times only two years ago, more measures have been adopted this year primarily to fine-tune the RMB exchange rate and to lower the loan and deposit rates more. Since 1981, the RMB has been sharply devaluated four times. This round of fine-tuning aims to raise the foreign export enterprises' economic efficiency and create the conditions for reforming the foreign trade system to make enterprises take care of their own profits and losses, and it will facilitate the installation of a managed flexible exchange rate system in the future.

This year, we also probed into the development of a financial market system, including the financial market price quotation, exchange, and information systems. Today, a financial market system—comprised mainly of the inter-bank short-term loan market, discount market, securities market, and foreign exchange regulation market—is shaping up in Shanghai.

With respect to reform of the taxation system, the Ministry of Finance has set up pilot projects in several provinces and cities to test the classified tax contract system. At the same time, a "fixed asset investment direction regulation tax" has been introduced, and the construction tax has been abolished. Work to combine the two major income tax laws involving foreign enterprises has been completed, and the new law has been ratified and formally promulgated by the National People's Congress. With regard to the pilot project to "separate taxes from profits," since Chongqing, Xiamen, and Hunan's Yiyang City pioneered the reform to separate taxes and profits in 1988, currently, 27 provinces and cities (including cities with province-level economic decision-making authority) have selected 2,000 enterprises for the experiment. Of the 57 enterprises in the pilot project in Hubei's Jingmen City, 46 showed profit after only nine months. Their realized profit came to 12.855 million yuan, 25.4 percent more than in the same period a year ago; their share of income tax came to 3.185 million yuan, 26.1 percent more than in the same period a year ago. In November of this year, Chongqing held a work conference on separating taxes and profits. Upon reviewing ways to improve the pilot project, the relevant departments and localities decided to further expand the scope of the project. Also in November of this year, the State Council promulgated the "Regulations on State Budget Management." It replaces the single-entry state budget system with a double-entry system. All revenues are separated into routine budget and constructive budget. It lays the groundwork for the nationwide implementation of the double-entry budget system next year.

#### **VII. Assorted Pilot Reform Projects Made Further Progress**

Since the comprehensive urban reform pilot project began in Hubei's Shashi City in 1981, urban reform experiments have become more thorough, the scope has become even broader, the content has become richer, and the tasks have become more difficult in the last 10 years. Seventy-two comprehensive reform pilot cities and a number of experimental points testing individual reform measures boldly explored new ways, blazed new trails, integrated the party Central Committee's general and specific policies with realistic local conditions, and revolved tightly around the central link of increasing enterprise vitality, and they have produced concrete results. In September of this year, the National Urban Reform Pilot Project Work Conference was held in Chengdu. Thirty-seven cities testing the pilot projects in 18 provinces, autonomous regions, and municipalities reviewed their experiences and suggested that, for the

next step, changing enterprise operating mechanisms would be the urban reform pilot project's "showstopper." At the same time, it was also brought up that cities in the Changjiang and Zhujiang delta, the coastal region, the interior, and the border minority nationality regions were of different types and had different needs, and so a new pattern of experiments with different features was developed.

This year, localities and departments taking part in the pilot projects pertaining to the shareholding system, state-owned asset management, and experimental scientific and technological development zones also saw new developments. With respect to the shareholding system, as stipulated by the "Key Points" of the restructuring of the economic system, this year's primary task is to do a good job with the pilot projects that facilitate the issuance and listing of stocks in Shanghai and Shenzhen. After strengthening leadership and improving management and the legal system, the number of enterprises listing their stocks has grown from seven to 22 in Shanghai Municipality and from five to 13 in Shenzhen. Meanwhile, Fujian and Guangdong and other provinces and cities have implemented other types of shareholding system on a trial basis: 1) they installed the shareholding system in newly formed enterprise groups; 2) they started a mixed, Sino-foreign shareholding company; 3) they issued "negotiable bonds"; 4) they are experimenting with a form of limited liability company in selected small companies where the staff and workers own shares.

While improving the industrial enterprise contract system, the localities have also set up their own state-owned asset management organs and have launched pilot projects to establish fund sources by taking physical inventory, auditing loans, and taking stock. They have also proposed new quotas and ideas to make sure that the state-owned assets will appreciate or hold their value and make the management of state-owned assets even more standardized and effective.

The advanced science and high-tech experimental zones also saw further development. This year, the State Council approved the State Science and Technology Commission and the State Restructuring of the Economic System Commission's "Decision To Further the Reform in the High and New Technology Development Zones and Promote the Development of High and New Technology Industries." It was agreed that comprehensive reform experiments be carried out in the high and new technology development zones in Beijing, Shenyang, Wuhan, Chongqing, and Zhongshan.

#### **VIII. Rural Reform Became More Thorough Amid Stabilization and Improvements**

This year marked the 12th year of rural reform. At the National Rural Work Conference held early in the year, it was decided that the responsibility system—comprised mainly of the family-based output-related contract system—should be stabilized and further improved and should be firmly established as a basic rural system. This

year, the state has narrowed the difference between grain procurement and sale prices, set protection price for grain purchases, except in fixed-quota grain purchases, and has established a special grain reserve. The country fair trade and other primary markets have further developed, and township enterprises have maintained a steady and coordinated developmental trend. Anhui and other areas tried new ways to perfect the method of contracting land, strengthen the collective economy, develop social services, and perfect economic organization. It was because of the strength of rural reform and development that we were able to overcome the disastrous flood and draught and still had a fairly good harvest. In November, the State Council issued a series of notices asking all localities and departments to vigorously strengthen rural social services and perfect and develop the double-deck management system and strive for new breakthrough in the restructuring of the rural product price and circulation systems. Shandong's rural areas and Shanxi's Xixian County followed the direction of "less government, more services" and modified the functions of the county and township administration and management departments and smoothed out the relation between various rural service departments. Leading comrades of the State Council wholeheartedly endorsed these experiences.

In short, the reform situation is good, but there are also some problems. Primarily, some of the measures proposed by the party Central Committee and State Council to improve the large- and medium-sized enterprises are not in place yet; all-out effort to plan and coordinate important reform measures is still lacking; some reform measures which have already been introduced are not on track, and progress in different reform areas has been uneven. Looking ahead into the new year, China's restructuring of the economic system will face new opportunities as well as challenges. In view of the fact that the rectification and improvement tasks have basically been accomplished, the focus of our economic tasks will need to be changed and readjusted. We must adopt more indirect regulation and control measures, give even more play to the role of market regulation, and speed up the change from the old to the new system even more. On the other hand, the current social environment and market order are fairly comfortable and stable, society's supply and demand relations have eased, and conditions are better than a couple years ago for implementing thorough reform. If we place ourselves under the party Central Committee and the State Council's leadership, follow the 10-year restructuring of the economic system plan and the outline of the Eighth Five-Year Plan, further liberate our thoughts, and vigorously explore new ways, China's restructuring of the economic system will open up new prospects, blaze new trails, and achieve new results.

#### **Zhao Dongwan on Reform of Management Structure**

*HK0104134592 Beijing GUANGMING RIBAO in Chinese 10 Mar 92 p 1*

[By Jin Zhenrong (6855 2182 5554): "At National Meeting of Personnel Department, Bureau Directors,

Personnel Minister Zhao Dongwan Says Reform of Management Structures of Institutions Will Be Carried Out This Year"]

[Text] Beijing, 9 Mar—In line with the central task of economic construction, the reform of the management structures and wage systems of institutions has been identified as a key agenda item in personnel-related undertakings for the year 1992. This was announced by Zhao Dongwan, the minister of personnel, at the national conference of directors of personnel departments and bureaus which opened today.

Zhao Dongwan said: According to the principle of separation from government affairs, the management structure and wage system, as well as location and naming of organs of institutions will henceforth be separated from government organs. The institutions may be classified into three categories based on their financial sources: The first kind is the self-supporting type which will gradually be run along the lines of an enterprise. The second kind is partially subsidized by the state. The third kind is wholly financed by the state and will be run as a foundation. Qualified institutions should be encouraged to become collectivized, self-supporting, and accountable for their profits and losses.

Reforming the wage system of organs and institutions constitutes one of the most important features of the effort to deepen the economic structural reform. Zhang Dongwan pointed out: In view of the existing conditions in our country and the different features of organs and institutions, a wage system which corresponds to these different features should be set up, with the wage system of institutions detached from that of state organs. Because the nature and characteristics of work differ for the technical and administrative staffs of an institution, different wage systems should be applied to them. A wage system drawn up according to the special features of different institutions and to the law governing the training of skilled personnel should be implemented for the professional and technical staff.

Furthermore, in so far as the reform of the personnel system is concerned, the experimental introduction of a civil servant system will be expanded this year. Enterprises will also continue to implement and perfect the cadre hiring system as well as promoting a system of hiring of management and technical personnel.

#### **Article Clarifies Ideology of Planning, Market**

*OW1704181592 Nanjing XINHUA RIBAO in Chinese 10 Apr 92 pp 1, 3*

[Article by Jiang Fuxin (5592 0126 1800): "Both Planning and Market Are Economic Means"]

[Text] Developing a socialist commodity economy more rapidly is the inevitable course that our country must take to realize its grand strategic goal. It is the common understanding of most people that a commodity economy is closely linked with the market, and that the



former cannot be developed without the latter playing its role. Our country's practice of reform and development in the past decade or so substantiates this point. People have for quite a long time branded planning and the market with the imprints of classes and systems, however, saying that planning is peculiar to a socialist economy and that a capitalist economy finds expression in the market. Today, this way of thinking still impedes our pace of reform, opening, and development. Hence, a clarification is essential.

### **Planning Is Only a Kind of Economic Means**

Generally speaking, planning—as a form of advance arrangement—is an important trait of human beings in being able to act differently from other life forms. The standard and result of planning reflect mankind's capacity for consciously and actively transforming nature and society. In terms of economic planning, there are macroeconomic and microeconomic control. On the microeconomic level, economic planning is an arrangement by which enterprises organize production with a view to making the best use of their internal resources and to obtain the best economic results. On the macroeconomic level, economic planning is an advance arrangement by which the state or society distributes, regulates, and controls social resources with a view to tailoring national economic development toward specific economic and social goals. We can draw two important conclusions from this fact: First, planning is the result of mankind's active exercise of its functions under subjective conditions. It is the manifestation of macroeconomic control in the subjective economic sphere. Whatever social system they have, people tend to organize economic activities through the formulation of plans to ensure orderly economic development, provided the productive forces have reached a certain level, and social relations of division and cooperation are becoming complex. Second, planning is not an end but a means for achieving specific goals. It is one aspect of social production organized by the people and an "intangible component" of actual economic activities (including production, exchange, distribution, and consumption). Considerations about the extent of planning, the types of plans to be formulated, and ways to implement them should meet the ultimate goal of serving economic activities.

The process of development of actual economic activities has also proved that planning is a means for the deployment of resources which can be adopted by various different systems. It is common knowledge that socialism adopts planning. What is noteworthy here is that, after going through a major depression between 1929 and 1933, the advanced capitalist countries in the West also became aware that market regulation alone could not guarantee economic stability and development; and that, therefore, national economic "planning" became an important method for many countries to promote economic development. France began implementing the national economy in 1947 and the whole of Western Europe witnessed a great upsurge in planning

during the 1960's. Formulation of planning and implementation of macroeconomic regulation and control by Japan and South Korea mainly accounted for the revival of economic activities in the two countries, as well as their rise as economic powers after World War II. Of course, economic planning adopted by capitalist countries is different from that adopted by socialist countries. First, with regard to the objective of planning, the former represents the demands of private ownership whereas the latter reflects the demands of the public-owned economy. Second, respecting the formulation and implementation of planning, the former passively adapts itself and makes adjustments and, furthermore, due to fundamental conflicts over interests between different privately owned enterprises and the contradiction between socialized production and private ownership of the means of production, the former will certainly encounter greater difficulties than the latter while carrying out its economic planning. The latter, on the contrary, is a kind of active and conscious behavior and has less contradictions in its implementation. There is one thing they have in common, however, namely, they both need to use the means of planning to achieve their own objectives at the present time when development of socialized production is the order of the day. If we fail to understand this point and think that planning is merely related to public ownership, we would blot out the fact which has been in existence for nearly half a century and, moreover, would make the mistake of using planning to exclude the market. This point is precisely the important reason why our country was prevented from attaining the level of economic development that we should have been able to attain in the period 30 years prior to the implementation of reform.

### **The Market Is Also a Kind of Economic Means**

The market is the basic condition for existence of a commodity economy. It goes without saying that our country must make full use of the market mechanism to promote development of the commodity economy. Judging from the fact that capitalism has enjoyed growth on the basis of market development, some people assert the family name of market is "Zi [capitalism]." This judgment is wrong. Indeed, market exchange and competition give rise to capitalism. However, it is only under the conditions of petty private ownership that polarization caused by market competition can give rise to capitalism. It cannot be mentioned in the same breath as the condition of public ownership playing the dominant role and being treated as the foundation in our country. The reason that Marx predicted that the market relationship will disappear together with capitalism, is that the socialism envisioned by Marx at that time is established on the basis of a capitalist society with a full-fledged commodity economy; and that conditions at such a stage would be ripe for socialism to enter the phase of the product economy. His prediction does not mean that Marx believed the market only goes by the family name of "Zi." On the contrary, Marx clearly pointed out that



the relationship of exchange of commodities could exist in different types of society.

The conditions for existence of the market are determined not by the basic ownership of a society but by, first, development of the productive forces to a certain extent and corresponding division of labor in society and, second, the relationship of interests between various economic entities (enterprises and individuals). If material means are not sufficient enough to eliminate the difference of interests between various economic entities after the productive forces have enjoyed a certain extent of development, the economic contacts between social members and their interest relationships can only be measured by money and follow the principle emphasizing equality in value. Under the circumstances, market and market relationships are bound to take shape.

Moreover, whether the role of the market can be brought into play is determined not by social systems but by factors inherent to the market—equality and competition. Equality means recognizing and respecting the other side as the owner of one's own economic goods and vice versa. Equality means recognizing and respecting the labor of those producing commodities, thereby bringing into full play their initiative and innovation and encouraging competition. Equality of position will inevitably lead to equal opportunity. Equal opportunity is the external condition for achieving a rational flow of resources and encouraging effective competition in a commodity economy. It negates privileges and social strata in economic activities and provides important conditions under which society might make progress. The nature of market competition comes from its mechanism of letting the superior win and the inferior be eliminated and awarding the superior and punishing the inferior. That is to say, interests peculiar to the market will fulfill the mechanism of regulation. Price mechanism is the most important factor of all. Under the conditions that costs are fixed, market prices will directly affect the earnings and profits of producers. Therefore, producers will take the initiative to either manufacture products whose prices have risen due to short supplies or stop manufacturing products whose prices have fallen due to excessive supplies, thereby balancing supply and demand and promoting a rational flow of elements of production in all fields. Under the condition that prices are fixed, cost will directly affect the earnings and profits of producers. Therefore, producers will take the initiative in employing advanced science and technology to improve enterprise management and reduce costs. Thus, the efficiency of productive forces throughout society will improve continuously through market competition.

The property of the market mentioned above is essentially compatible with the socialist economic system. The two can coordinate with each other. The nature of equality of the market itself does not contain class characteristics and runs parallel to requirements of the socialist system of equality. We can incorporate the

nature of market equality in the socialist system of equality and amplify the latter. Likewise, the nature of market competition may be accepted by socialism. Because difference in interests still exist among socialist enterprises, it is still necessary for us to use competition as a means of determining their rating of economic performance and share of interests while stimulating development of all productive forces.

Of course, the market has its limits. Like the conditions for its existence, the market is not determined by social system. For instance, blind competition will result in waste of resources and pursuit of interests above all other considerations, market characteristics can hardly guarantee the orientation for economic development or achieve social objectives. The positive role of the market coexists with its negative role. Instead of negating the market's positive role just because it has negative aspects, we should bring into play the positive role as best we can and confine the negative role. It is impossible for us to achieve this by relying on the market alone. To achieve this, we shall need external forces and, in particular, planning and macroeconomic regulation and control. This raises the issue of how to better integrate planning and market.

#### **It Is Necessary To Effect Scientific Integration of Planning and Market**

"Planning and market are the economic means that can be used by both socialism and capitalism." If we want this topic to have a positive influence over actual economic activities, we shall have to solve the problem of how to use these two means under socialist conditions.

Our country has a socialist commodity economy. Whatever class status of economic organization it belongs to, first, it comprises those engaged in production of commodities who can only exist and develop in the market. The market is the foundation for existence of all economic organizations, and market principles are the basic principles that all economic organizations must follow. Therefore, the market is the basic means for our country to deploy and regulate its resources. The need to stress this point is based on the following two reasons. First, due to uneven levels of productive forces and on account of obvious differences of interests between various areas, departments, and enterprises, our country can arouse the enthusiasm of all fields of endeavor and promote development of productive forces only through market competition and use of the means of interests at present and for a considerable period of time to come. Second, because our country has such a vast expanse of territory and such a complicated economic situation, the state and the society cannot arrange supply and demand of both the means of production and the means of subsistence through planning alone. Only by using the means of market can the state and the society effectively regulate basic economic activities in good time.

Using the market as the basic means for market regulation signifies that our country's socialism must gradually

establish and improve a complete market system and enable the enterprise system, price system, employment system, social security system, and development of legal systems to be suited to the pattern of market operations in the future. This is also the basic objective for our country in its drive to deepen reform.

The market as the basic means of economic regulation does not conflict with the means of planning. As a matter of fact, absolute market regulation does not exist even in the most developed capitalist countries. In using the means of planning in China, we want to achieve two major objectives. First, we want to rectify the shortcomings of the market. The market can regulate the economy spontaneously and automatically, but such regulation takes place only after the occurrence of economic activities and is accompanied with economic instabilities and a waste of resources to a certain degree. Through arrangements by the means of planning beforehand, like the formulation of an industrial policy, we can guide the market to meet the intrinsic demands of socialized production and can avoid major imbalances. Second, we want to achieve the social objective of economic development. The operations of the market itself include neither price orientation nor social objectives. Social objectives, which reflects the demands of the development of socialism, must be achieved through the means of planning, such as adjusting regional and income differences. Nevertheless, it must be pointed out that planning as an economic means is not an antithesis to the market. Planning should be exercised under the precondition that it does not obstruct normal operations of market mechanisms and does not undermine the normal role of market regulation. Planning should be realized through its influence on market milieu and, in most cases, through using the market as a lever and giving guidance instead of interfering administratively.

In a figurative sense, the market can play its role by providing a strong propellant for China's economic development, while planning can play its role as the regulator and compass. The two cannot substitute for nor be separated from each other. Only by scientifically integrating the market with planning can they complement each other in facilitating a stable, coordinated, and highly efficient development of the Chinese economy.

## PROVINCIAL

### Heilongjiang Tax Evasion Cases Reported

SK2104032692 Harbin Heilongjiang People's Radio  
Network in Mandarin 2200 GMT 18 Apr 92

[Text] Our province recently concluded its 1991 mass inspection of tax revenues, financial affairs, and commodity prices. It exposed many unlawful cases that had involved more than 350 million yuan of illegal money, of which more than 250 million yuan should be used for making up the shortage in tax payments for the state. The rate of handing over supplementary taxes to the state has, to date, reached 91 percent. The 1991 mass

inspection of tax revenues, financial affairs, and commodity prices was divided into the following three periods: In the first period, enterprises, establishments, and units conducted self examination. In the second period, the province carried out inspection of key enterprises. In the third period, the province summarized experiences, conducted test acceptance, and carried out consolidation and reform. Based on summarizing the experience gained in mass inspection every year, localities across the province have gradually worked and sorted out the more effective methods and procedures of inspection. In carrying out the inspection of key enterprises, the province imposed economic sanctions on more than 27,000 units and more than 270 personnel and 36 personnel who had committed economic crimes were transferred to the procuratorial organs and handled in line with the law.

### Qinghai Province Develops Foreign Trade

OW1804105592 Beijing XINHUA in English  
0806 GMT 18 Apr 92

[Text] Xining, April 18 (XINHUA)—Qinghai Province in northwest China has achieved big progress in developing and expanding foreign trade.

As an inland province, Qinghai has set up trade ties with over 50 countries and regions in recent years and has a total of 138 commodities for export including carpet, ferrosilicon, bone glue, machine tool, Chinese medicinal herbs, honey, broad bean and beef.

In 1991, the province's export volume reached over 75 million U.S. dollars, a record in the history of the province.

Since the beginning of this year, the province has made efforts to expand exports of local rich resources such as minerals, agricultural, animal husbandry products, and textiles.

A carpet joint venture firm of Qinghai went into production in Osaka, Japan earlier this month.

### Guizhou Sets Forth Measures To Develop Economy

HK2804014292 Guiyang Guizhou People's Radio  
Network in Mandarin 2300 GMT 21 Apr 92

[Excerpts] The provincial party committee and government jointly set forth 41 specific measures to speed up Guizhou's reform and opening up and economic development.

The provincial party committee and government called on all localities to further emancipate their minds and seize the opportunity to open up wider to the outside world and step up Guizhou's economic development, sticking to the general principle of doing whatever is conducive to developing the productive forces, increasing the overall national strength, and improving the people's living standards. Especially in the Eighth

and Ninth Five-Year Plan periods, projects should be constructed at a greater pace and more funds invested. In the next four years, Guizhou's annual investment in fixed assets will be 8.1 billion yuan and the gross industrial and agricultural output value will increase 13 percent annually. Guizhou will focus on developing high-efficiency industries, such as wine and tobacco industries, which can exploit local advantages in natural resources and economies and easily accumulate funds; pillar industries, such as automobile and electronics industries, which are competitive; and basic industries, which concern overall interests.

In opening up to the outside world, it is necessary to forge close ties with coastal and border areas and neighboring provinces, cities, and autonomous regions; and to promote economic exchanges with countries in South-east Asia.

The provincial party committee and government decided to speed up construction of tangible facilities, such as communications and telecommunications to create favorable conditions for opening up wider to the outside world. [passage omitted]

The provincial party committee and government called on all localities to energetically introduce the operational mechanism of foreign-funded enterprises and rural enterprises, improve the management of state-owned enterprises, help state-owned enterprises proceed toward the market, and raise state-owned enterprises' capacity to cope with the changeable situation and economic efficiency.

Concentrated efforts should be made to successfully develop the Guiyang (Xintianzhai), Anshun (Shuangyang), and Zunyi (Maochaopu) economic development areas to set an example to other parts of the province in developing the economy.

At the meeting of responsible members of departments directly under the provincial party committee and government held today, Comrades Long Zhiyi, Zhang Shukui, and (Wang Siqu) called for party committees, governments, and functional departments at all levels to update their concepts, develop an intense consciousness of commodity economy and market, speed up transformation of their functions, and raise work efficiency. The planning committee, auditing department, supervisory department, industrial and commercial business and taxation departments, public security organs, procuratorial organs, and people's courts should work out supportive measures to help enterprises overcome difficulties and to play a supportive role in reform and opening up, working together with other social sectors as one to make Guizhou's economy a success.

## INDUSTRY

### Analysis of 1991 Industrial Growth

92CE0356A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 13 Feb 92 p 4

[Article by Liu Li (0491 0500): "Analysis of 1991 Industrial Growth"]

[Text] In 1991, the cumulative growth of industries at or above the township level reached 12.9 percent, and the rate was 14.2 percent if we include industries at or below the village level. This was achieved on the heels of double digit growth in the fourth quarter of 1990, and 1991 showed the fastest growth of any year since the program of improvement and rectification went into effect. At the same time, a number of conflicts brought on by the stockpiling of inventories (sluggish circulation of funds, poor business conditions, and continued poor economic benefits) have been quite pronounced. Particularly as these circumstances are accompanied by a relapse of the industrial production mix, it has caused a gradual loss of the shallow gains achieved through efforts to readjust the industrial product mix. This article shall offer a preliminary analysis of the causes and conditions which have accelerated industrial growth, as well as the consequences and possible countermeasures.

### I. Causes and Conditions

One still remembers vividly the 20.8 percent industrial growth rate of 1988 (which occurred within a context of several consecutive years of national economic overheating and burgeoning demand) and the severe consequences which ensued. It causes concern that a high rate of industrial growth would return only two years later. In analyzing the current industrial growth rate, it is necessary to be aware of new changes in the way the economy functions which have accompanied macroeconomic rectification and readjustment of the economic order since 1989. Macroeconomic conditions have changed from the longstanding shortage economy, in which demand outstripped supply, into a situation in which oversupply and undersupply exist simultaneously; in other words, from the perspective of total volume, supply exceeds demand, but from a structural perspective, supply falls short of demand. In light of this situation, I offer the following analysis of the causes and conditions which have led to the current industrial growth rate.

*1. Enterprise Demand Forecasts.* Although overall supply and demand have been in balance over the past two years, this balance has been predicated on the supposition that new product inventories can be counted as accumulated funds; it depends upon demand, in other words. In contrast to 1988, when the high industrial growth rate stemmed from continuously expanding immediate demand, one main cause of the current industrial growth rate is that enterprises are counting on forecasted demand.

*2. The Effect of Macroeconomic Policy.* In terms of its overarching macroeconomic philosophy, the current program of improvement and rectification still favors economic growth, and especially increased production. It attempts to suppress demand, yet it is not willing to sacrifice economic growth, especially in production. For this reason, the current high industrial growth rate is to a certain extent the direct consequence of macroeconomic intervention in microeconomic activity. We feel that the basis for determining whether production and business activities are proceeding normally should at least take into consideration whether or not production and demand are basically in balance in terms of both volume and structure; in other words, sales must match production. In reality, industrial production has increased blindly for two consecutive years, outstripping demand. The problem of stockpiled inventories of industrial products is acute. It appears that industrial production is growing too fast. In addition, with the current simultaneous existence of surplus and undersupply, simply relying on a high growth rate to bring total volume into balance will inevitably lead to mistaken macroeconomic judgments.

*3. The Impetus of Expanding Funds and Credit.* During the current program of improvement and rectification, 197.1 billion yuan in loans have been made for industrial operating funds since October 1989 to restore production, which represents growth of 56 percent since the end of September 1989. The force of this money supply is no less than that of the loans issued during the three-year period preceding the last round of high industrial growth rates. The difference lies in that fact that apart from continued expansion of funds, the "three-corner debt relationships," which began to appear in early 1989 and have grown continually worse ever since, are now expanding greatly under the stimulus of opportunities to "achieve economic benefits by delaying payment of debts" and to "achieve output value by delaying payment of debts." This has triggered a serious expansion of credit. It has been calculated that of the loans issued for industrial operating funds since 1989, about one-half have been tied up by new product inventories and one-third have been used to pay off overdue debts to other enterprises, while less than 20 percent have been used to replenish reserves or increase production. This is not enough to offset their inflationary impact.

*4. The Manner in Which the Growth of Industrial Production Has Been Targeted.* This round of growth in industrial production is still led by excessive growth in industries not under the ownership of the whole people, industries located near the coast, and processing industries. In 1991, these three types of industries increased output value, respectively, 56.9 percent, 50.4 percent, and 55 percent. Their respective impact upon industrial growth was 7.3, 6.5, and 7.1 percentage points. In spite of worsening inventory buildups and the idling of large amounts of productive capacity, the growth rate of the processing industry was still 18.5 percent.

## II. Consequences of a High Industrial Growth Rate

From this analysis it is apparent that although industrial growth in 1988 and 1991 was similar in some superficial ways, the two occurrences were fundamentally different. The high industrial growth rate of 1988 occurred under the stimulus of continuous expansion of total demand. Industrial products were being manufactured and sold in huge quantities and industrial production and business activities were booming, even to the point where the attitude was "hurry up and eat the radish; don't bother washing it off!" The reason why it was later decided to carry out improvement and rectification was to serve the interests of long-term of overall balance in the national economy by bringing into balance major macroeconomic elements which had fallen out of adjustment. The rapid industrial growth rate of 1991, on the other hand, arose after two consecutive years of insufficient and suppressed total demand, sluggish industrial production and business activities, microeconomic problems within enterprises, and macroeconomic difficulties for the state. The coexistence of a sluggish production cycle and a high industrial growth rate brought severe consequences, exacerbating both the microeconomic problems of enterprises and the macroeconomic problems of the state. For this reason, sufficient understanding of the possible occurrence of economic overheating is required.

*1. Exacerbation of Industrial Structure Problems.* The excessively rapid industrial growth rate which occurred under the impetus of the rapid growth of processing industries was an important factor spurring the industrial readjustment of 1988, and it is also an increasingly serious problem facing industry today. Since the sudden acceleration of the industrial growth rate in the fourth quarter of 1990, the proportion of output value accounted for by the processing industries as opposed to basic industry actually increased 1.9 percentage points to 48.4 percent by 1991. In contrast, results in basic industry during the program of improvement and rectification have been lackluster in spite of considerable efforts to shore it up. Production in basic industry only rebounded for a short period, and was soon subject to limitations resulting from downstream production demand and the more serious problem of delayed payment of debts, which then plunged basic industry into stagnation. This affected the growth of industries under the ownership of the whole people, over 80 percent of which are classified as basic industry. In the rapid development of industries not under the ownership of the whole people and those located near the coast, data also indicate that the convergence of their industrial structures runs at cross purposes to macroeconomic industrial policy. Development of industry under the ownership of the whole people, inland industry, and basic industry has lagged behind development of the aforementioned three types of industry ever since the beginning of the reforms. Systemic problems, economic geography factors, input/output cycles, and product prices have all had an impact, and the overall effect has been lack of economic vitality. In comparison with processing industries, basic industry is not very flexible

or adaptable during times of economic growth. During times of economic overheating, basic industry runs into severe "bottlenecks" and production is overloaded, which slows down improvement. During sluggish economic times, there is a surplus of products from basic industry and the production link bogs down, which in turn limits the momentum for further development and slows down efforts to alleviate the "bottleneck." In contrast, processing industries do well during times of economic overheating, and are also able to maintain growth during times of economic readjustment.

**2. Continued Low Economic Benefits From Industry.** Rapid industrial growth does not mean hefty economic benefits. The profits of industries within the state budget were 65.3 percent lower in 1990 than in 1988. Even though output rose by 10 percent during the first 11 months of 1991, total profits fell 6.1 percent during the same period, which was a greater drop than during the same period of 1988. Although industrial profits have not dropped so sharply recently, business conditions have been exacerbated for enterprises because this comes on the heels of three straight years of decline. The inventories of industries within the state budget as of the end of November amounted to 126.7 billion yuan, up 12.7 billion from the beginning of the year. Operating fund loans for industrial enterprises are up to 565.1 billion yuan, or 51 percent of total enterprise operating funds at the end of the previous year. Industrial enterprises will pay more than 55 billion yuan in interest to banks in 1991, which means that about one-tenth of all newly created wealth will leak away from the industrial sector.

**3. Exacerbation of Uneven Distribution of Income.** Another factor affecting the decline of economic benefits from industry is the fact that a high growth rate implies high inputs of both material and labor. The reality is that when a high growth rate is not supported by strong demand, not only is the benefit of rapid growth lost, but so is the "benefit of rising prices." Continued reliance on a continually accelerating growth rate for a rebound in benefits naturally becomes useless. Thus, apart from sluggish production and stockpiled products, wage costs and interest payments are incurred. At the same time that consumption funds and interest payments grow, the falling benefits of industrial enterprises, and reduced revenues for the state and enterprises (or a reduction in their share of revenues), further exacerbate the problem of irrational distribution of income.

**4. Long-Term Economic Burdens Incurred.** Of the more than 100 billion yuan worth of inventories belonging to industrial enterprises at or above the county level, about 40 percent are surplus. With the passage of time, the usefulness of these products will diminish. Statistics on the 40,000 state-run industrial enterprises which account for 50 percent of all industrial enterprises at the township level or above, among three funds, funds tied up as of the end of September 1991 by shipped goods, accounts receivable, and accounts payable amounted to 228.8 billion yuan. The ratio between these funds and

finished goods funds has risen from a normal year of 1.27:1 to 1.71:1. When you add to this the approximately 50 percent of finished product funds which are in excess of the normal amount, the total amount of the three funds that are tied up in excess of a normal level stands at about 200 billion yuan, which is one-fourth of all operating funds. This is much higher than the figure for the amount of funds tied up by finished goods which everyone often quotes. For this reason, we must show an appropriate degree of concern about the potentially inflationary impact of the loss of funds caused by long-term stockpiling and eventual scrapping of industrial goods.

**5. Increasingly Difficult Macroeconomic Regulation and Control.** Acceleration of the growth of industrial production has continued unabated since the fourth quarter of 1990. As a consequence, not only has the sluggishness of industry been exacerbated, but macroeconomic regulation and control has also become more difficult. First, the tremendous amount industrial operating fund loans which have been issued to maintain production growth has increased the irrationality of the loan mix. Second, inappropriate industrial growth and inept management have decreased the state's revenues and added to its fiscal outlays. Apart from exchange taxes, the profits, taxes, and fees delivered to the state by industry have declined year after year, while funds used to subsidize enterprise losses have increased every year. Loss subsidies for industrial enterprises in the first 11 months of 1991 were 18.4 percent higher than in the same period of the previous year, topping not only the amount of subsidies to commercial and edible grains enterprises, but even jumping to number one among all types of enterprises. Third, it is not difficult to discern that macroeconomic policy in recent years has emphasized economic growth, and particularly the growth of industrial production, which has led to a policy-induced situation in which the dog chases its own tail, or to use a cooking analogy, "if the soup's too watery, add noodles; if there's too many noodles, add water." Not only will this not resolve the fundamental economic problem, but many opportunities to further reform are lost because one aspect of the problem is emphasized at the expense of another.

### III. Macroeconomic Countermeasures for Improving the Industrial Economy

With the progress of improvement and rectification and the furthering of reform, and in view of the previously described problems in the industrial economy, we suggest adoption of the following macroeconomic policies and measures.

**1. Accelerate Conversion of Macroeconomic Management Functions and Revitalize Microeconomic Activities.** Economic reform has brought economic diversification. This means further microeconomic revitalization as well as decentralization of economic management. As the strengthening of enterprise autonomy becomes more and more of an issue, separation of enterprise ownership and

management becomes a pressing necessity. Reform of the macroeconomic management system should attempt to consolidate and strengthen basic manufacturing industries which have a great impact upon national well-being, bolster management of key products, and readjust the management system in a timely manner to bring about the establishment of a scientific and efficient management system suited to conditions in China. There is currently a particular need to readjust the excessive policy restraints placed upon industries under the ownership of the whole people so that they will be on an equal competitive footing with other types of industries.

*2. Use Limited Funds To Accelerate Readjustment of Industrial Structure.* Economic development has been accompanied by diversification of economic entities, which means that the percentage of the gross national product accounted for by fiscal resources subject to the unified control of the state will inevitably decline. However, this does not mean that the state is giving up any authority or that its interests are being weakened; it can still maintain its interests and consolidate its rule by readjusting the relationship between fiscal and administrative authority. If macroeconomic management is to achieve long-term economic stability, coordination, and healthy development, the most pressing task at this time is to accelerate readjustment of the economic structure. From the perspective of concrete problems such as key construction projects and technological upgrading, the state plan now controls 37 billion yuan in key construction project funds. This money would not go very far if it were used to provide 100 percent funding for a few key construction and technology upgrade projects, and progress would be slow. If the state were to issue invitations for public tender, however, and pooled funds jointly with local governments, enterprises, and foreign firms, it would achieve a lot with a small investment. If it relied exclusively on discount loans, 37 billion yuan could be loaned out at the 9.36 percent rate for infrastructure development loans and would raise nearly 400 billion yuan, or 80 percent of current total social fixed asset investments. This would greatly strengthen macroeconomic regulation and control, and implementation of policy would be noticeably improved.

*3. Promote Price Reform for Industrial Goods in a Timely Manner and Strengthen Momentum for Further Development of Basic Industry.* Since the aforementioned changes in economic mechanisms, relatively abundant supply and decreased demand have stabilized market prices. We suggest taking advantage of these favorable conditions by accelerating price reform for industrial goods. We should reform the piecemeal approach of the past several years. We should start by reforming prices for capital goods, and we should deregulate prices for such basic industrial goods as energy and raw and

semi-finished materials in coordination with the implementation of the state's industrial policy. By bringing price relationships into balance, we could accomplish two things. First, we could fundamentally bolster the strength of basic industry and accomplish the goals of the state's industrial policy. The beneficiaries would be medium- and large-sized state-run enterprises, which comprise the bulk of basic industry. Second, by forcing downstream industries to lower consumption of energy and raw materials, such a course of action would bring induce them to improve product quality, improve production technology, strengthen management, and embark upon the path of pursuing internal improvements as the means of expanding reproduction.

*4. Efforts To Revitalize Large- and Medium-Sized Enterprises Must Focus on Deregulation of Management.* Large- and medium-sized enterprises are the backbone of the national economy and the pillar of the socialist economy, but their production and business activities grow more difficult by the day. Various measures aimed at revitalizing large- and medium-sized enterprises are being vigorously implemented, but the first problem that must be addressed is the unequal conditions of competition to which large- and medium-sized enterprises have long been subject. Since the beginning of improvement and rectification, it has been none other than enterprises under the ownership of the whole people, and especially large- and medium-sized enterprises, which have borne the brunt of restrictive macroeconomic orders. The result has been more and more difficult conditions for production and business activities. There are several economic lessons to be learned therein. For some time now, limits on production and restrictions on inventory size have caused the production of enterprises under the ownership of the whole people and large- and medium-sized enterprises to drop off earlier and more sharply than that of other enterprises. For this reason, the revitalization of large- and medium-sized enterprises requires that their social and economic burdens be lightened, and it requires that economic policy create a relatively stable and fair competitive environment. True revitalization requires thorough deregulation. At present, apart from heavy taxes, the net worth of the fixed capital of large- and medium-sized enterprises is only 69.4 percent, an average of 3 percentage points lower than that of collective and small enterprises. Their composite depreciation rate is only 4.21 percent, which is 1 or 2 percentage points lower than that of collective and small enterprises. This situation must be changed. While readjusting tax rates, we must also use interest rate levers. We must take advantage of the current positive differential between interest rates for savings deposits and loans, and implement graded interest rates rather than rush to lower interest rates. We must offer favorable tax rates, interest rates, and depreciation rates to large- and medium-sized enterprises, and especially basic and leading industries. If we carry through on these policies for 10 or 20 years, we will inevitably attain success.

**Output of Raw Materials in Jan-Mar***HK1604114692 Beijing CEI Database in English  
16 Apr 92*

[Text] Beijing (CEI)—Following is a list of the output of raw materials in January-March period of 1992, released by the State Statistical Bureau:

Item	Unit	1-3/92	1-3/91
Iron ore	10,000t	4331.8	3958.1
Pig iron	10,000t	1803.2	1569.8
Steel	10,000t	1919.6	1663.0
Rolled steel	10,000t	1542.4	1289.82
Ferro alloys	10,000t	48.92	50.84
Coking coal	10,000t	1380.69	1297.56
Ten nonferrous metals	10,000t	56.52	57.98
Of: Copper	10,000t	14.92	12.889
Aluminium	10,000t	24.46	22.32
Copper products	10,000t	12.20	11.11
Aluminium products	10,000t	11.39	9.37
Alumina	10,000t	38.01	34.75
Sulphuric-iron ore	10,000t	283.71	250.32
Phosphorus ore	10,000t	424.69	407.43
Timber	10,000cum	1372	1330
Artificial board	10,000cum	71.91	50.09
Cement	10,000t	5601.1	4611.0
Plate glass	10,000c	2318.55	2065.87

Notes: T - ton, CU M - cubic meter, C - case

**SMALL-SCALE ENTERPRISES****Impact of Township Enterprise Growth in 1990s**

92CE0390A Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 2, 23 Feb 92 pp 33-35

[Article by Zhang I and Liu Lijin from the Township Enterprise Department under the Ministry of Agriculture: "Macro-economic Effects in Developing Township Enterprises in 1990s"]

[Text] The "Outline of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development of the PRC" points out: "Township enterprises must further carry out structural readjustment, improve product quality, and maintain growth at a proper speed while raising economic efficiency." Here growth at a proper speed means that township enterprises should attain a rate of growth of

66 percent by 1995 on the basis of 1990, which means an annual average rate of growth of 10.67 percent. At such a speed, the output value of township enterprises will reach 2.65 billion yuan by 2000, raising its share in the total national product of society from 1990's 25.2 percent to 39 percent. However, township enterprises will account for 56.3 percent of the net increase in total national product of society. The proportion assumed by township enterprises in the total social output value in rural areas will increase from 57.7 to 71 percent, and the net increase portion of the township enterprises will account for 84.3 percent of the net increase of the total rural social output value. Calculated on the basis of a 10 percent increase, the gross national output value of township enterprises will reach 111 million yuan, and its share in the gross national output value will rise from 24.7 to 35.7 percent. Calculated on the basis of a 10 percent growth, the output value of township enterprises will reach 1,840 billion yuan by 2000, and its share in the total national industrial output value will rise from 29.7 to 40 percent. The net growth of the township enterprises will account for 51 percent of the net increase of the national industrial output value.

In fact, the 10 or 10.7 percent rate of growth set by the 10-Year Plan for the development of township enterprises is quite low, because the average annual growth rate for township enterprises in the 1980s was 30.5 percent. Even in 1990 when the development of township enterprises was the lowest in history, the increase was 14 percent, and between January and September in 1991 reached 26 percent. According to regional surveys and objective needs for township enterprises, the normal and appropriate rate of growth for enterprises should be 15 percent. If township enterprises are developed at this rate, their output value by year 2000 will reach 3.8 billion yuan, thus increasing the rate of growth of the total product of society in the country to 7.8 percent from the original 6 percent and account for 48.3 percent of China's total product of society. At that time, 69 percent of the net increases of China's total product of society will come from township enterprises. The gross national output value of township enterprises will reach 1.74 billion yuan, raising the growth rate of China's gross national production value from the original 6 percent to 7.9 percent, and account for 46.9 percent of the gross national production value in the country. At that time, 66.5 percent of the net increases of China's gross national production value will come from township enterprises. A total of 78.2 percent of the total social output value in rural areas will come from township enterprises, increasing the annual growth rate of this output value from 8 to 11.1 percent, and account for 90.3 percent of the net increase of output value. The total industrial output value of township enterprises will reach 2.87 billion yuan, accounting for 51 percent of output value in the country, and increasing China's industrial rate of growth from 6.8 to 9 percent. Township enterprises will account for 66.5 percent of the net increases of the total industrial output value in the country. At that time, the output of township enterprises will make up 50 percent of China's total product of society, gross national product, rural social output value and total industrial output value.

In face of the continuous rise of township enterprises' share of the national economy, and possible emergence



of the situation where output may make up 50 percent of the national economy, some people have hailed this situation, others have cried out in alarm, and others take a skeptical attitude. Our views on the following issues are:

**1. Is the impact on China's socialist economy made by the increasing share of the township enterprises' output value in the national economy good or bad?** The answer to this question should be affirmative. First, township enterprises help develop socialist productive forces, and enhance the national strength. In the course of realizing the strategic targets for the 1990s, we invariably need to rely on township enterprises to make up more than 50 percent of China's total product of society, gross national production value, rural social output value, and total industrial output value. Without the further development of township enterprises, it is difficult for us to fulfill these strategic targets. Second, they help balance and coordinate the economic development between rural and urban areas. China's total product of society was 3,799.6 billion yuan in 1990, and the total urban product of society amounted to 2.137 billion yuan with an average of 8,640 yuan per capita. The rural social output value in 1990 was 1,661.9 billion yuan with an average of 1,855 yuan per capita, merely 21 percent of the urban social output value. Township enterprises development will help gradually narrow the gap between urban and rural areas. When township enterprises' output value account for 40 percent of the total product of society in China, the rural per capita income will make up 30 percent of the urban per capita income. When township enterprises' output value makes up 50 percent of the total product of society in China, the rural per capita income will make up 48.4 percent of the urban per capita income. Third, township enterprises help peasants increase their income, become comparatively well off, and lay a solid material foundation. Peasants rely on the development of production and on higher rate of employment to increase their income. Township enterprises are expected to hire 48 to 58 million people in the next 10 years. With regular jobs and income, these people would naturally lead a better life.

**2. Will the growth of township enterprises even to the extent of "making up 50 percent" of the national economy change the leading role of state enterprises?** Quantity plays a definite role in determining whether or not a certain ownership system plays a leading role in a nation. However, quality plays a crucial and essential role in making such a decision. We must see what type of ownership system controls the nation's economic lifelines. China's major industries such as petroleum and chemicals, energy, machine-building and electronics, iron and steel, railway, air and shipping industries, banking and foreign trade businesses are in the hands of state enterprises. In this respect, state enterprises are in absolute control in terms of both quantity and quality. That means, China's economic lifelines will not change because of township enterprise development. On the contrary, state enterprises will play an even greater and

more significant role in controlling China's lifelines because of administrative control, economic policy preferences, and concentrated investment. On the other hand, township enterprises have always played a supplementary role in developing the national economy and the market. They engage in processing industries and other industries that require intensive labor; and they play an insignificant role in the development of industries that affect the nation's lifelines. In addition, their industrial production is developed for state industries or state enterprises. Forty percent of their production value is connected in various forms with state industries, and 60 percent of output value for trade and construction is connected with state enterprises. They have always played a minor role in developing China's national economy. They have never played a major role in this respect, and nor will they play a major role in the future.

**3. Will township enterprise development, and the increase of their share even to the extent of 50 percent of the national economy affect the growth of state and urban industries?** This question is determined by the state of affairs in China, which follows the path of industrialization by linking industries in urban areas with those in rural areas. Because rules for industrialization in China are generally different from those for industrialization in the world, industrialization in China has not driven the rural population to the cities. Nor has it caused the rural labor force to work for the secondary and tertiary industries. The natural growth of the labor force and the loss of arable land to construction projects have greatly aggravated the problem caused by the increasing number of surplus manpower in rural areas. After the adoption of the system of contracted responsibility with remuneration linked to output, peasant enthusiasm has been greatly enhanced, and the problem of feeding them solved. The issue of increasing income has been given top priority. Under this complicated situation, peasants have spontaneously and continuously developed and expanded industries in rural areas. Although the state has formulated a policy to support these new industries, it has always excluded them from the state plan, leaving them to develop by themselves. Thus, there are two types of industries—the urban industries and the rural industries. In addition, China's state industries have always paid great attention to developing at a high speed, while exerting little efforts to carry out technical innovation. Products and production facilities are outdated. Township enterprises have worked hard to catch up with their urban counterparts despite their late start. The two types of industries compete with each other at a low level. Meanwhile, China's industries have not caught up with the technical revolution and the industrial structural readjustments in the world for various reasons. Some urban labor intensive industries and farm products processing industries have not moved to the rural areas where there are newly developing industries. All this has made the urban and industrial structure, especially the processing industries, assimilate with each other. To solve the contradiction between urban and rural industries, we are not faced with the question of whether or



not we need to develop rural industries. We are confronted with the question of how the nation can possibly help urban and rural industries coordinate with each other like pieces in a chess game, readjust their structure, divide up the work, and make overall plans. It is indeed a fact that township industries have developed and become competitors of the state industries. We have decided to develop commodity economy with market regulation. In a sense, market means competition. Only when we have competition, can we impel ourselves to forge ahead, make improvement and develop. If we have no competition, we will remain lethargic and conservative, and fall behind instead of forging ahead. Therefore, we must welcome competition instead of fearing it. We must dare to compete with others, and improve and develop ourselves in the course of competition. In dealing with the impact of the township industries on state industries and the contradiction between the two types of industries, we must not ignore the new relation established between the two in relying on and promoting each other, using each other's markets to sell their own products and achieve common prosperity through mutual competition. Thus, we must objectively and dialectically look at the relation between state and township industries instead of regarding them as two separate and opposing industries.

**4. The development of township enterprises strengthens socialist public economy.** According to China's Constitution, "The basis of the socialist economic system of the PRC is socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people." It points out: "Rural people's communes, agricultural producers' cooperatives, and other forms of cooperative economy such as production, supply and marketing, credit and consumers' cooperatives, belong to the sector of socialist economy under collective ownership by the working people." "The various forms of cooperative economy in the cities and towns, such as handicraft, industrial, construction, transport, commercial and service trades, all belong to the sector of socialist economy under collective ownership by the working people." Township enterprises regard the collective economy as their main body, 73 percent of the total output value of township enterprises come from township-operated enterprises, village-run enterprises, cooperative enterprises with shareholders and various kinds of enterprises of joint venture. This fully proves that township enterprise development helps strengthen socialist public economy.

**5. Pollution caused by township enterprise development merits attention, but it will never exceed the pollution created by urban industrial enterprises.** Industrial pollution is a negative result of industrialization. Even in developed countries where industrialization has been achieved for nearly 100 years, and science and technology are well developed, pollution exists, even serious pollution. In the course of developing rural industrialization, China has learned from domestic and foreign experience in combating pollution. It has paid full attention to preventing and combating pollution while further

developing rural industrialization. Although the industrial output value of China's rural areas already makes up nearly one-third of the national industrial output value, the situation is not as bad as some comrades say "environmental pollution caused by rural industries scattered in various villages and localities in the countryside has far exceeded that created by urban industries." According to investigations on township enterprises made in 1990 by the Department of Township Enterprises of the Ministry of Agriculture, the State Environmental Protection Bureau and the State Statistics Bureau, waste gas released by township enterprises amounted to 9,536.2 billion cubic meters, accounting for 14.8 percent of the total amount of the waste gas discharged by all industries in the nation. Waste water released by township enterprises amounted to 27.15 billion tons, accounting for 7.3 percent of the total amount of waste water discharged by all industries in the nation. Industrial residue dumped by township enterprises amounted to 2,117.6 billion tons, accounting for 9.9 percent of the total amount of industrial residues discarded by all industries in the nation. This fact shows that township enterprises are not the nation's main source of pollution. However, we do believe that even these figures are serious, because urban pollution only covers cities, while rural pollution affects large areas. Pollution created by township enterprises directly harms peasants, hurts the rural ecological environment, and even peasant offspring. Therefore, everyone attaches importance to combating pollution. Some people run factories in a centralized location, and pool efforts to combat pollution. Others make comprehensive use of all resources, and change waste materials into things of value. Others installed pollution prevention devices when factories were being built. Authorities have shut down facilities that do not have pollution prevention devices, and others have turned down applications to build new factories that create serious pollution or add new installations without pollution preventing devices. With development of township enterprises, progress in science and technology, and people's attention, all aforementioned measures will help township enterprises succeed in preventing and controlling pollution. The level of their pollution will definitely not exceed that created by state enterprises. Therefore, we must not limit the development of township enterprises because of pollution.

Analyzing all aspects mentioned above, we have come to realize that China's unique township enterprises reflect the "best characteristics" of the nation, and that they have opened up the path for rural industrialization. We should act in favor of these enterprises, since they play a significant role in consolidating the socialist system in the country and in developing socialist economy. We should firmly adhere to the plan of the central authorities to "actively support these enterprises, make rational plans, properly guide and strengthen their management." We should help them continuously develop and flourish, further improve themselves and play their role even better in building socialism with Chinese characteristics!

## CONSTRUCTION

### Shanghai Deepens Housing System Reform

HK0303105692 Beijing QIUSHI in Chinese  
No 2, 16 Jan 92 pp 31-34

[Article by Huang Ju (7806 5468), mayor of Shanghai: "Adhere To Socialist Orientation, Deepen Reform of Housing System"]

[Text] "With thousands of grand edifices to live in, large numbers of poor people under heaven are all happy about it," has been a social ideal to which people have looked forward for thousands of years. After the founding of new China, from the construction of Chaoyang New Village—the first workers' village built in Shanghai in the early fifties—to the rise of large numbers of new living quarters on the banks of the Huangpu River, there opened up the history of building residences for the laboring people in a planned way under the socialist system, and the aspiration of the broad masses of the laboring people to live and work in peace and contentment is gradually being realized. Especially since the Third Plenary Session of the 11th CPC Central Committee, Shanghai has greatly quickened the speed of housing construction, and the completion of groups of brand new living quarters has changed the urban features of Shanghai. About one-third of the families have moved into new quarters.

In the past 40 years, housing construction has made remarkable achievements, but the contradictions still stand out sharply. On the one hand, there are still a number of residents in Shanghai whose housing conditions are extremely difficult, and huge numbers of sheds, simple huts, and dangerous houses require immediate reconstruction. On the other hand, the living standard of the people is changing from dressing warmly and eating their fill to a comfortable level, which produces new aspirations and demands for improving living conditions. Because it is the most populous city in China, Shanghai's most arduous and pressing task is to solve the housing problem during the last decade of this century. The reform of the housing system first introduced in Shanghai in May 1991 aims at probing ways to solve the housing problem by setting up a housing mechanism adaptable to the socialist planned commodity economy.

#### I.

For a long period of time, the citizens of Shanghai have been accustomed to calling the houses newly built by the state "workers quarters," and the living quarters as "workers new villages." It shows both the high degree of trust of the people in the CPC and in the government in solving the housing problem, and also shows that the welfare characteristics of the housing system completely taken on by the state, a system inherited for decades, has made a deep impression on the minds of the people. Personal consumption of citizens almost does not include a housing factor. The emergence of such a welfare-type housing system has its historical reasons

and its historical merits as well. It has played a positive role in overcoming housing difficulties and improving living conditions. However, there are also drawbacks in such a housing system, which are not in conformity with the requirements of the development of the planned commodity economy. To carry out reform of the housing system is to do away with the drawbacks existing in the current system; gradually realize the marketing of living quarters; and bring the production, exchange, distribution, and consumption of living quarters into the orbit of planned commodity economy; to quicken the pace of construction of dwelling quarters; and change at an early date the tense situation of residences in Shanghai.

To gradually realize the commercializing of living quarters is, first of all, to change the welfare nature of living quarters in the past, change the system of free distribution and low rent, make the construction of living quarters become a component part of the planned commodity economy, and finally conduct socialized production and management of living quarters as commodities. As one of the most important consumer goods of life, living quarters, like other commodities, should be allowed to be purchased, sold or leased through market exchange. Realizing such a change will inevitably have a tremendous impact on the habitual concept of tens of millions of people. It thus requires us to attach great importance to the guidance of public opinion, propagate extensively the necessity of reform of the housing system, and conduct in depth education on the state of China and the situation of Shanghai Municipality, with which to push forward the change in people's understanding. In the course of introducing reform, Shanghai is organizing all its citizens to take part in the great discussion of reform of the housing system, letting the masses of the people know in depth the plan (draft) for housing reform, further making clear that the reform of the housing system is in conformity with the fundamental and long-term interests of the masses of the people and is where the hope lies in tackling the housing problem in Shanghai. In the great discussion, the masses in general come to understand that although the expenditure of residents would increase after housing reform, yet it would still be within their capacity, and, more importantly, that individuals pay a bit of money "to raise chickens to lay eggs," and they can benefit from solving housing problems. Many young people declare that when they get married in the future, they will have to buy living quarters first, and "sets" afterwards (television sets, video recorders and other electrical appliances) and regard living quarters as major personal consumption.

In organizing the great discussion, we learn that the key to promoting conceptual change is to mobilize the masses to plunge themselves actively into the practice of housing system reform, and to enable them to regard reform as their own business. To accomplish this, the important thing is to listen with sincerity to the opinion of the masses, to listen to their advice and to consult with them in real earnest. In extensive mass discussion, we

seriously sum up suggestions and proposals set forth by the citizens, and some of the proposals are accepted in the revision plan, others are absorbed when the rules and regulations for implementation are worked out. That some of the suggestions are temporarily difficult to accept due to present limited conditions and remain to be overcome during the forthcoming deepening of reform is also made clear to the masses to win their understanding. Based on the suggestions of the masses, nineteen rather important amendments have been made to the housing reform plan in Shanghai between handing it over to the masses for discussion and finalizing the text, and each specific amendment is made public in the newspaper. Such a way of doing things has won the support of the masses who also support the reform sincerely and wholeheartedly. The department concerned has made a sample investigation of one percent of the staff and workers in Shanghai, and the result shows that those in favor and those who think it acceptable account for 84.6 percent, those opposed account for 9.7 percent, and those who take an indifferent attitude account for 5.7 percent. It explains that through intensive mass discussion, the people have heightened immensely their ideological understanding, and have established the concept of the commercializing of living quarters, thereby laying an ideological foundation for the successful progress of reform.

## II.

To carry out housing system reform in an extraordinarily large city like Shanghai, whose housing situation is extremely complicated, integrating the long-term goal of realizing commercialization with overcoming present housing difficulties is a major subject we have been probing in earlier reforms. Our understanding is: It is of essential importance to take the first step properly to conduct the reform that affects the vital interests of tens of millions of people. In working out the plan of reform, Shanghai lays emphasis on taking firm control of the following three links: mechanism conversion, complementary reforms, and a steady start. The central link in the conversion of the mechanism of living quarters is to build up a fund-raising mechanism for housing construction that combines the state and collectives with individuals, realize a benign circulation of housing funds, and make investments in living-quarters construction become "a pool of living waters." The major channels for investments in the construction of living quarters in Shanghai in the past were local financial appropriations and funds raised by enterprises themselves. From 1950 to 1989, investments in living quarters in Shanghai amounted to 14.56 billion yuan, and 61.51 million square meters of living quarters were completed, equivalent to two times the total dwelling area in old Shanghai. However, as the system of free distribution and low rent was carried out, the movement of funds also stopped as a consequence of the completion of living quarters. Not only can the greater part of investments not be recovered, simple reproduction of living quarters cannot be realized, and even expenses for normal maintenance of living quarters cannot be met. Thus, it leads

to the following results: The more houses are built, the more subsidies are granted, the more funds are settled. To change an investment pattern with only input but no return, the key is to bring into play the role of the residents who are the main body of housing consumption. In the past 40 years, there had been three rounds of renovations in peasants' dwellings in suburban Shanghai from straw huts to tile-roofed houses, and to buildings; the main reason was that the peasants in the suburbs spent the greater part of their personal accumulations on building residences, and housing has become the major consumption of rural families. On the contrary, the ratio of expenditure of urban staff and workers on housing went down. The rent of public-owned quarters in Shanghai in 1951 accounted for 8.6 percent on the average of the living expenses of staff and workers families, and by 1990 it was reduced to 0.89 percent. To solve the urban housing problem, it is necessary to guide the residents to change the structure of consumption, and gradually increase the input in housing to change the situation of too low a ratio for housing in residents' consumption. One of the breakthrough measures in the housing reform plan in Shanghai is to introduce the system of public accumulation funds. It is a voluntary long-term housing saving system under which funds accounting for a certain percentage of the worker's wage is paid on a monthly basis by the worker himself and the organization for which he works for long-term housing savings accumulation. To introduce public accumulation funds is, in essence, to build up a fund-raising mechanism which integrates the state, collectives, and individuals. The establishment of such a system opens up a new situation in which staff and workers use their own accumulation as investments in housing construction, and plays a role of "watershed" for reforming the welfare-type housing system. After the public accumulation fund system is carried out, participation of individuals in housing investments becomes a reality, and a new, stable channel of funds is built on that basis. By testing, it is fully possible for the great majority of families of staff and workers to afford standard price living quarters after a number of years of long-term housing savings accumulation.

The reform of the housing system is a very complicated social project. The living conditions of Shanghai's citizens vary immensely, there are garden flats and high-grade apartments, and there are also lane houses, sheds, simple huts. Living conditions are complicated, with immense differences in rents. If the reform of the housing system is conducted by a single reform measure, such as only by increasing rent or purchasing bonds, it would be very difficult to realize in general the reform requirements within the scope of the whole municipality, and very difficult to make any breakthrough in the old structure. Therefore, we have introduced comprehensive and complementary reform measures, and worked out a "five-in-one" scheme. Apart from introducing the public accumulation fund system, in order to change the low rent system, the scheme has raised general rents of public-owned houses by 100 percent; stipulates that the

staff and workers who become new renters of public-owned quarters must purchase housing construction bonds to raise and collect funds to support housing construction; sells at favorable prices the newly built living quarters and the quarters that have been rented to encourage staff and workers to purchase living quarters for their own accommodations; builds up housing committees to supervise implementation of housing reform and housing distribution and to solve special problems; links up rent increases, construction, sales and distribution of living quarters, and sets up a complementary scheme of reform.

It is a long-term goal to build up a benign circulation mechanism of housing funds, and to realize commercialization of living quarters. It is necessary to proceed from the practical situation, take good control of the strength of reform, and start steadily according to positive and reliable principles. Proceeding from the practical situation in Shanghai, we have tested local finance, analysed the economic performance of enterprises, taken into account the income level of the staff and workers, and tried to accomplish both making substantial progress in housing system reform and controlling the strength of reform within the bearing capacity of various social aspects, to win the support of the great majority of the masses and be favorable to the successful progress of reform. Therefore, payment rates of public accumulation funds, the margin of rent increases, the volume of purchase of housing bonds, and the selling prices of living quarters have all been tested again and again before being set and an appropriate scale is finally determined. Thus, although there is quite a big margin of increase in the housing expenses of the masses in the reform, yet it is still within the means of enterprises and individuals. However, this scale can change correspondingly with the growth of the economy and increases in personal income, and is fully flexible, allowing for the deepening of reform. A new housing system, from preliminary institution to maturity of development, is a rather long process. Reform of the housing system is an organic part of restructuring the economy as a whole, and is closely linked with a number of reforms, such as reform of the labor and wage, social security system, and land management systems, and the restructuring of architectural industries. Therefore, to build up a rather sound benign circulation mechanism of housing funds remains to be gradually realized by complementary reforms on a larger scope in the process of restructuring the economy as a whole.

### III.

To realize commercialization of living quarters does not mean that the government in the future will no longer interfere in the production and consumption of living quarters and that the distribution of the living quarters can be realized completely through market exchange. Judging from the practice of various countries in the world, it is difficult to overcome housing difficulties by relying completely on market mechanisms. China practises the socialist system, which determines that the state

should necessarily interfere in matters that have a bearing on the basic life security of the masses of the people, to guarantee the realization of the housing rights and interests of the masses of the people, and offer major assistance to residents who are in special difficulty. Especially during the initial stage of reform, with the setting up of the new housing investment mechanism that combines the state, collectives, and individuals, there has been a marked increase in expectations on the part of the masses about solving the housing problem. Many families that have housing difficulties raise up their heads to wait in the hope that their living conditions will be improved at an early date. Moreover, as individuals have participated in housing investments, personal consumption spending is closely linked with housing construction and distribution for the first time in several decades. On the two links of housing construction and distribution, planned control and administrative interference appear to be most important. Therefore, in implementing the housing reform scheme, we have stepped up planning and organization work in housing construction, and carried out the "four unified" policy, i.e., effect unified regional planning of housing construction under the guidance of overall planning of the Shanghai Municipality, requisition of land for living quarters is handled in a unified way jointly by the municipality and various counties, in construction of various large living areas, the local government takes the lead and is responsible for unified construction, and unified complementary measures are taken for installation of public utilities in living areas. As a result of carrying out the "four unified" policy, the requisition pace of land for living quarters is greatly quickened. Moreover, we have organized competition for design of new residences, and stepped up supervision and inspection of the quality of housing construction.

To be just and rational is another important link in stepping up intervention by the government. Of all the dwelling houses of Shanghai citizens, about 80 percent are public-owned. As the chief housing investor for years in the past, the government naturally also undertook the function of housing distribution. After 1978, enterprises started becoming important forces in housing construction, and units that built the living quarters played a dominant role in the distribution of the quarters for staff and workers, gradually the house property management department of the government. In the long-term practice of housing distribution, the house property management department and various basic units in Shanghai have created many realistic means of housing distribution, and probed building up a just and rational system of housing distribution. However, whether the living quarters are distributed by the house property management department of the government, or by the units that built the quarters, there are some deficiencies and unhealthy trends. To be just and rational in housing distribution, Shanghai has mapped out in recent housing reform a number of rules and regulations, such as "Temporary Methods of Shanghai Municipality for the Management of Housing Distribution" and "Temporary Methods of

Shanghai Municipality for Solving Problems of Housing Difficult Families," so that when various organizations distribute living quarters, there are rules to abide by and regulations to follow. Housing distribution is brought into the orbit of legal control by setting up legal regulations, to avoid subjectivism and unhealthy trends that may possibly emerge in carrying out the distribution policy. Furthermore, we organize people to write and compile various problems on housing distribution and on how to solve problems for housing difficult families in the form of questions and answers, which are widely distributed to enable citizens and every organization to have a clear understanding of the specific regulations on housing distribution, making it easy to develop democracy, distribute public housing, and exercise supervision by the masses. To step up supervision of housing distribution, correct unhealthy trends, and sternly deal with problems that violate discipline, we have set up a Shanghai municipal housing committee and housing committees at various levels made up of the masses' representatives and social celebrities under the leadership of the government department concerned to ensure organizationally that housing distribution will be just and rational. While becoming involved in housing distribution by legal and administrative means, we have also introduced in recent housing reform a number of economic means, such as: to enjoy greater housing space, one has to pay more rent, buy more housing construction bonds, and pay higher purchase amounts to regulate social housing demand. Naturally, as housing system reform is still in its initial stage, regulation by economic levers is still very limited. With the gradual deepening of reform in the future, when rent is raised to the level of cost and when the selling prices of living quarters reach the level of the comprehensive cost of construction, then the role of regulation by economic levers will be all the more displayed.

In housing distribution, the contradiction that stands out sharply is to solve the problem of housing difficult families. Helping them improve their living conditions at an early date not only can massively increase motive forces for reform of the housing system, but also embodies the concern of the CPC and the government for the masses of the people and demonstrates the superiority of socialism by embarking on the road to common prosperity. In current reform of the housing system, we plan to spend two years or so to solve first of all the problem of housing difficult families whose per capita living space is 2.5 square meters or below.

Another important aspect in housing distribution is to strive to mitigate the difference of suffering and pleasure in housing between various units, and help solve housing difficulties for the units that lack housing construction funds and have an inadequate source of living quarters. As the system in effect at present is still one of construction and distribution by the units that built the living quarters, the units that have more funds will build and distribute more living quarters, and those that lack funds can only build and distribute fewer quarters, and for

some units there are not even any quarters built and distributed. Contradictions stand out rather sharply. This problem remains to be solved by the further deepening of reform, and at present we should take advantage of the characteristics of mutual help and assistance in the public accumulation fund system and provide housing construction loans to those specially difficult units by regulating a part of funds through a public accumulation funds management center. However, we should provide low price quarters for housing difficult families in those units that have housing construction funds but have no source of houses, and support enterprises, undertakings, and the staff and workers to set up housing construction cooperatives in the form of mutual assistance and cooperation to raise funds in common efforts for housing construction.

The reform of the housing system in Shanghai has just taken a first step forward. To improve the living conditions of the residents is an important aspect of realizing the second step strategic goal of China's modernization, and making the living standard of the people reach a comfortable level. To fulfill this task, a great deal of painstaking work remains to be done. We are convinced that under the guidance of the theory of building socialism with Chinese characteristics, so long as we stick to proceeding from the practical situation of Shanghai, rely closely on the masses of the people in the whole municipality, continuously deepen reform of the housing system, and carry out reforms related to this in complementary steps, the road to solving Shanghai's housing problems will inevitably be ever wider.

### Hebei Reports 1991 Urban Housing Construction Figures

SK1504144992 Shijiazhuang HEBEI RIBAO  
in Chinese 17 Feb 92 p 1

[By Liu Caiyun (0491 1752 0061) and Sun Shutan (1327 2885 2905): "Hebei's Urban Per-Capita Living Space Reaches 9.5 Square Meters"]

[Text] Hebei's investment in urban housing construction in 1991 showed an increase of 46.2 percent over 1990, and 4.547 million square meters of houses were completed, an increase of 3.4 percent. In urban housing construction, capital construction, commercial houses, and private housing construction in urban industrial and mining areas developed simultaneously. Construction of commercial houses became more and more important. In 1991, investment in commercial houses showed an increase of 38.5 percent over 1990, the floor space of the commercial houses under construction showed an increase of 33.9 percent, and 979,400 square meters of commercial houses were completed.

## LABOR

### Heilongjiang Employs Over 1 Million Contract Workers

SK1704134492 Harbin HEILONGJIANG RIBAO  
in Chinese 21 Mar 92 p 1

[By reporter Jiang Hui (3068 6540): "Heilongjiang Province Employs More Than 1 Million Contract Workers"]

[Text] According to the Statistics Bureau, the province employs more than 1 million contract staff members and workers, accounting for 11.6 percent of the total work force.

The province started hiring contract workers in 1983. The workers are principally distributed among industrial enterprises, building industries, communications and transportation, postal and telecommunications trade, and commerce. State units employ more contract workers than collective units. By the end of 1991, 962,000 contract staff members worked in state units, accounting for 15.2 percent of the total work force. Only 38,000 contract staff members worked in urban collective units, accounting for 1.6 percent of the total work force. Contract workers in large- and medium-sized cities accounted for a larger proportion of the total. By the end of 1991, Harbin, Qiqihar, Mudanjiang, and Jiamusi cities employed 405,000 contract workers, accounting for 40 percent of the province's total.

## TRANSPORTATION

### Heihe-Blagoveshchensk Hovercraft Service Begins

SK1904034792 Harbin Heilongjiang People's Radio  
Network in Mandarin 0000 GMT 18 Apr 92

[Text] Heilongjiang no longer suspends traffic service when the river freezes over. Beginning on 17 April, a 40-passenger hovercraft began service on this river between Heihe city of Heilongjiang Province and Blagoveshchensk city of the Russian Federation to transport tourists and traders.

The Heilongjiang, a Sino-Russian boundary river, has no bridge connecting the two countries. For a long time, during early spring and winter of every year, traffic service had to be suspended because of the thin layers of ice. This greatly affected the increasingly brisk Sino-Russian border trade and the contacts between the growing number of personnel of both sides. The hovercraft may change this traffic situation.

## AGRICULTURE

### GAIGE on Private Economy, Rural Socialized Services

92CE0367A Chongqing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 92 pp 147-151

[Article by Li Zhigao (2621 1807 7559): "Rural Private Economy and Rural Socialized Service System"]

[Text] Improving rural reform and promoting sustained, stable, and coordinated agricultural development objectively demand that a rural socialized service system be established and perfected. Over-reliance on inputs from the state to establish such a system definitely will increase the fiscal burdens of state and local governments. Seeking to provide comprehensive services is unrealistic. The natural geography and production situations in rural China differ in myriad ways. State and local government fiscal power is limited. Therefore, centered around the collective economy, we must get a foothold in rural areas and allow various economic elements to coexist and jointly develop in equal competition under the management and regulation of departments in charge of the state, industry and commerce, taxation, and banking. Only then can a rural socialized service system that is strong, fully functional, and able to use various measures take shape.

At present, the issues of the rural private economy's role in the rural socialized service system and how to guide and manage it continue to be commonly overlooked. This is because of continued misconceptions of the rural socialized service system and the private economy itself. Some interpret "services" purely as preferences or gratuitous provision of funds, technology, and labor services. This is a misconception. Actually, whether they be agricultural outlays from the state and various levels of fiscal government, or services provided by various other economic entities to supplement agriculture with industry and commerce, they all require that services are compensated for and exchanges made at equal value have a system centered around the collective economy where other types of ownership systems coexist. Otherwise, it will be hard for any service organization to continue to grow and expand activities. Considered from the perspective of the basic aim of establishing a rural socialized service system, there is no conflict between exchanges at equal value and the desire to resolve various issues that have arisen in dispersed rural enterprises since full implementation of the household contract system of responsibility linked to production. On the contrary, from the long-term perspective, exchanges between specialized service entities of a business nature and peasant households must be based on equal value. Only then can they jointly develop on a mutually beneficial basis. Some believe that profit-making is the goal of the private economy and that it is difficult to provide "service." This is a prejudiced view. Assuredly, compared to other elements in the economy, the private economy tends more towards profits although it mainly

garners relatively high profits by upgrading technology, improving management, or even exploiting internal relations. The external economic relations of the private economy are based on the principle of exchange at equal value. There is no difference between the need for exchange at equal value among it and the collective and private economies on this point. Of course, under abnormal circumstances, the private economy may be motivated to cheat or harm the peasants in the quest for profit (other economic elements may also do so). This can be avoided by enhanced leadership and management.

We shall now analyze some examples of the role and significance of the rural private economy in the rural socialized service system. We also will explore how to enhance leadership and management.

### **1. The important role of the rural private economy in the rural socialized service system.**

Since the Third Plenary Session of the 11th Central Committee meeting, China's private economy has swiftly developed. It has now become an important force in economic development. At present, the private economy appears mainly in rural areas. In particular, in large inland agricultural provinces such as Sichuan, more than 90 percent of all peasant households engage in the rural private economy. They are widely scattered from the plains to the mountains. Establishing and perfecting the rural socialized service system objectively requires allowing the private economy to come into full play.

1. The flexibility of the private economy can be quite adaptable to the complexity and changeability of rural services and to the seasonal nature of agricultural production. This flexibility is seen mainly in two respects: First, production decision flexibility. To satisfy the ever-changing service needs of rural areas, the private economy is sensitive to changes in market demands. It is highly able to meet emergencies and can adjust the direction of production in a timely manner. Second, scale of production decision flexibility. One, it can flexibly determine the scale of production based on different degrees of dispersion in rural areas and agricultural product production scales. Smaller enterprises employ eight to nine people while the larger employ several hundred. Two, it can shrink or expand the scale of production based on raw material and market conditions. The flexibility of the private economy is highly suited to the seasonal nature of China's rural production. At present, other systems of ownership cannot replace this flexibility.

2. The rural socialized service system cannot do without the technology of the rural private economy. In general, the rural private economy develops out of rural specialized households. Since implementing the household contract responsibility system, rural labor specialization gradually has become more profound. In the past, one after another specialized peasant household expanded

specialized production, thereby becoming private enterprises. Newly founded private enterprises use rather high levels of technology. The private economy plays a more exemplary role for peasants than the collective economy in terms of relying on science and technology to get rich. Peasant households which study technology commonly are quite active and positive. Thus, the private economy's technical services have quite clear effects on propagating and applying advanced technology. The private economy's technological upgrading and new technologies introduced by newly established members will promote gradual changes in traditional agricultural farming methods and in planting and breeding methods. Growth in agricultural production will be affected unless the private economy is stabilized in the rural socialized service system and heed is given to allowing it to play a role.

3. Private economy funds can make up the present lack of funds to establish a rural socialized service system. Establishing such a system requires huge funds. It is not enough to rely on inputs from the state and the collective economy alone. We also must fully utilize rural private economy funds and allow them to play a role in all levels of service. At present, considering the nation as a whole, private enterprises have an average of 50,000 yuan in funds. In Sichuan, counties with relatively good economic growth already have more than 40 private enterprises. Medium-sized counties have more than 20 enterprises. The assets of some exceed one million yuan. Added together, they make an impressive figure. Regarding the private economy's accumulated funds, at present, although the funds are relatively large since the private economy does not defray wages of retired workers and rather few pay welfare benefits, they still are quite low compared to the incomes of employers. The main reasons for this are that employers are hindered by a parochial view of small production and suffer from the lack of a place to invest. If they were led correctly, the money used for the high employer consumption could be turned into funds for agricultural services. Furthermore, the private economy has a unique ability to attract idle social funds. It is suited to the small amounts and dispersed nature of villages. It can adopt various forms of enterprise such as sole proprietorships, partnerships, stocks, etc. With regard to distribution, flexible means can be used to attract idle social funds. For example, a private chemical fertilizer enterprise in Xinjin county accumulated funds from friends and relatives under the form of a partnership. It provided goods to peasant households as a condition for pooling resources. It pooled funds from workers at a large-scale urban enterprise. With quite high bonus interest it quickly accumulated several hundred thousand yuan in start-up. It went into production and obtained results in a short time. This is something that other economic actors could not do. These funds can ameliorate the present contradiction of insufficient funds to establish and perfect a rural socialized service system. They also can enhance and enrich service functions by using various methods to make the private economy serve agriculture.



4. The rural private economy in the rural socialized service system can fully play the role of complementing the publicly owned economy. The collective economy should be the main core of the rural socialized service system. This is an objective requirement for the production specialization, commoditization, and socialization of dispersed rural businesses, and for rural labor forces to develop production relationships. However, at present the collective economy still lacks the necessary means to satisfy the peasants' multiple service needs. In particular, rural supply and marketing, and credit cooperatives still have not overcome the position of being "two people." Service organizations set up by counties, towns, and villages often appear to be managers but they frequently counter the interests of peasants besides lacking complete service functions and efficiency. Village enterprises blindly expand production scales because it is rather easy to obtain bank loans and fiscal support. There is a great tendency to vie for urban markets, raw materials, and energy resources. Very few actually set foot in the villages to serve agriculture. Thus there are many gaps and weak links in the rural socialized service system. The private economy is suited to the various levels of productive forces, the nature of China's complex natural geographic conditions, and its strongly seasonal production characteristic. Leading the private economy into the rural socialized service system will fill in the gaps of the publically owned economy. It is an important way to increase service methods, augment service capabilities, and strengthen the service system. In addition, it is beneficial to enhancing the competitiveness of each ownership system, thereby increasing external pressure on the collective and individual economies and compelling them to improve business management, upgrade technology, and enhance the quality of service.

**2. Bringing the rural private economy into the rural socialized service system is beneficial to the healthy development of the rural private economy.**

The private economy plays an important role in enlivening the rural economy and absorbing surplus rural labor. In various areas, it already has developed into a key factor in restricting local economic growth. Villages are the base of the rural private economy, which mainly grows out of rural specialized households who are familiar with villages. Small-scale rural production is good soil for the growth and development of private economy production. Nevertheless, in the end the private economy is a system of private ownership. It has great blind spots. Its gaze is solely fixed upon the market to produce products yielding high profits at the moment. Production readjustments are often slow and passive. Particularly after 1986, many in the rural private economy excited by higher prices for industrial products jumped into urban markets regardless of their conditions. Some private enterprises which traditionally made agricultural means of production or processed agricultural products switched to industrial machinery, parts, and building materials. Others became affiliated with large- and medium-scale urban enterprises. As a result,

the private economy faltered since agricultural means of production were in ever shorter supply and there was not enough agricultural product processing power. After 1989 many in the rural private economy closed down when the state readjusted the economic order, industrial prices fell, market sales were slow, and the returns of medium- and large-scale enterprises fell. Nationwide in 1989, 90,000 households were in the private economy; now only 14,000 are left. The majority that closed down were enterprises which blindly leapt into the urban marketplace, excluding other political or social factors. Considering the situation in Sichuan, some in the private economy were stable or grew: those that support the villages, have a foothold there, obtain production raw materials from villages, or put their products on rural markets, such as agricultural and sideline product processors (excluding alcohol), farm tool producers, agricultural means of production managers and sellers, and brick and cement prefabricated processors for rural housing. Many others in the private economy closed down: those that make electronics goods or clothing, repair cars, and some producers of spare parts dependent on medium- and large-scale urban enterprises. These shut-downs worsened the problem of surplus rural labor, in some cases even affecting the stability and growth of certain areas. Therefore, the correct choice at present for ensuring the healthy growth of the rural private economy is to guide it to have a foothold in and serve the villages, and play its full role as a stable part of the rural socialized service system. Of course, in the future when the rural socialized service system is basically complete and all conditions are there, the private economy should be allowed and encouraged to participate in urban competition.

**3. Tactics and methods for guiding and managing the rural private economy.**

With regard to the private economy, long ago the state formulated the correct policy of "allowing it to develop, actively guiding it, enhancing its management, and promoting what is beneficial and restraining what is harmful." It successively promulgated a series of laws, regulations, and documents such as "Provisional Regulations of the People's Republic of China on Private Enterprises" and "Provisional Regulations of the People's Republic of China on Income Tax for Private Enterprises." Recently the State Council gave an official written reply to the national association of industry and commerce's proposal regarding stabilizing private enterprises. The State Taxation Bureau again readjusted tax collection policies for the private economy. However, there never have been effective measures regarding how to enhance leadership of the rural private economy. The direction we should take is not clear. The existing members of the private economy who depend on the support of or are based in rural areas, or serve agriculture, are self-starters who operate on their own. They might grow blindly at any time and turn their backs on the correct road of serving rural areas. They newly emerged rural private economy has no correct direction



for development because leadership over it is so unclear. Likewise, management is weak. Therefore, we must steadily adhere to a base of economic measures ensured by legal measures and supplemented by administrative measures. We must strengthen all leadership and management measures and make the rural private economy develop in a healthy way along the path of serving agriculture.

Utilizing economic measures includes bringing into full play the roles of fiscal, credit, tax, price, and other economic levers. We must guide, support, regulate, and manage the private economy which serves agriculture by engaging in producing the means of production for agriculture, farm machinery repair and leasing, planting, breeding, feed processing, agricultural and sideline product processing, agricultural science and technology consulting, sale of non-specialized controlled agricultural goods and materials, rural water and electricity, and manufacture and processing of bricks and cement for rural housing.

1. Using methods to support the rural collective economy, the state can support the truly reputable private economy which engages in the aforementioned industries with appropriate fiscal outlays of agricultural funds. It can provide appropriate subsidies for losses caused by rather low prices of agricultural goods and materials and other factors in order to ensure that the private economy serves agriculture. These are methods commonly used by other developed countries to develop agriculture. Some raw materials can be given under plan to certain private enterprises to undertake production of specially managed goods and materials, provided that management is enhanced and agriculture definitely benefits.

If sales on the market occasionally are sluggish, the government can consider appropriate procurement policies of agricultural products for further processing and long-term resolution of local surpluses (the effect basically is the same as directly purchasing surplus agricultural goods) to ensure that this sector of the private economy does not go bankrupt and that it receives appropriate profits.

2. Banks can offer preferential loans to the private economy engaging in the aforementioned services for agriculture after rigorous investigation and repayment guarantees. At present, the private economy mainly gathers funds by private loans besides raising funds by such methods as partnerships or stocks. It is rather hard to obtain bank loans because banks fear once lent, money will not be returned. Actually, this is a rather uncommon occurrence. The money can be repaid if the private economy's operations are in order and it obeys commodity economy credit principles. Private enterprises serving agriculture can refer to low interest loan principles used by the collective economy. According to a Shenyang survey, the Bank of Agriculture's loan interest rate to collective enterprises is 0.66 li to 0.96 li (monthly rate) while the rate to private enterprises

ranges from 0.78 li to 1.03 li. The loan interest rates from rural credit cooperatives to collective and private enterprises are 1.08 li and 1.5 li, respectively. The gap is too large. It is disadvantageous to encouraging the private economy to serve agriculture.

3. Regarding the aforementioned private enterprises in various sectors which serve agriculture, we also should consider greater tax reductions or annulments for other aid-agriculture industries in addition to continuing those given according to tax regulations for a certain time period to agricultural and sideline product processors. The National Taxation Bureau recently readjusted tax levying policies for private enterprises that engage in foreign trade, are involved in technology transfer, and those newly established of a production nature which truly face difficulties paying taxes. It expanded the scope of tax reductions and annulments. This is absolutely necessary for the healthy growth of the private economy. At present, under the unified leadership of state taxation bodies, it also is necessary to be more flexible and appropriately expand the scope of local tax reduction and annulment authority over the rural private economy based on weak links in the local rural socialized service system. To rapidly set up and perfect a rural socialized service system, we can consider income tax exemptions for a certain time period on a portion of private economy accumulated funds continuously used to expand services to agriculture. We also can consider appropriate tax exemptions for the newly set up private economy which serves agriculture.

4. Prices are rather low because agricultural means of production have enjoyed state price subsidies for a long time and the state sets prices for many products. Regarding rural private economy products, excluding those for which the state sets supply raw material prices, no profit can be hoped to be gained by selling at these low prices. Therefore this affects enthusiasm to produce goods and materials for agricultural use. Thus, we must give price support. Coordination has to be mainly regarding raw material prices and selling prices. Those that supply raw materials according to state-set prices can have their products procured at state-set prices. We should allow selling prices to be appropriately raised or have the state provide price subsidies to those using market prices to gather material on the market so as to ensure that those private economy industries which serve agriculture will obtain largely the same profits under equal conditions as other industries.

The use of legal measures to guarantee that the rural private economy grows in a healthy way to serve agriculture has two aspects. First, it guarantees the legal rights and interests of the private economy. The "Provisional Regulations of the People's Republic of China regarding the Private Economy" and related laws and regulations inhibit actions harmful to the private economy. We should go all out to curb the present quite serious practice of apportioning and collecting fees from the private economy in the name of all sorts of things. At the same time we must perfect the legal system. As soon as

possible we must draft a national "Private Enterprise Development Outline" giving encouraging or restrictive policies and measures on the scope, means, and figures of production and business. Second, we must legally restrain those who operate illegally, resist or harm agriculture, or illegally seek exorbitant profits.

Regarding administrative management and guidance measures, first, we must use propaganda and other measures to dispel all current prejudice towards the private economy. We must make cadres and the masses fully recognize the necessity and important significance in developing China's productive forces and expanding the rural socialized service system of allowing the private economy to develop appropriately. At the same time we also must emphasize propaganda regarding state industrial policy and other policies. Second, we must augment and coordinate all supervisory and control functions of administrative management bodies. For example, industrial and commercial sectors change permits, and territorial management sectors approve and designate industrial zones to urge the private economy to serve agriculture. At present although various administrative management bodies have a certain authority over the private economy, they cannot plan as a whole or coordinate. It is hard for them to come to mutual terms. As soon as possible we should establish centralized uniform leadership bodies in rural areas if we want to lead the rural private economy to serve agriculture and bring an end to the present "care about nothing" situation. Third, we must provide information services to the private economy. At present, the rural private economy is relatively dispersed. Rural market growth is bad and operations still lack order. Market information conveyance is slow, incomplete, and incorrect. Most in the private economy lack the capability to process information. Thus, providing information on raw material supplies, production equipment, technology, and market supply and demand is a necessary measure for its healthy growth. Finally, we should urge the rural private economy to coordinate and exchange information with, support, offset the weaknesses of, and promote other service organizations to allow the rural socialized service system to be more fully functional.

#### **Jilin Corn Wholesale Trade Market Update**

92CE0370A Changchun JILIN RIBAO in Chinese  
28 Feb 92 p 1

[Article by Huang Chunjia (7806 2504 0163): "Jilin's Corn Market Trade for 1991 710,000 Tons; Outcome of Liberalized Thinking, Result of System Reform"]

[Text] In a spirit of more liberalized thinking and greater daring to reform, Jilin's corn wholesale trade market,

second only to Zhengzhou's grain wholesale market, fully played the role of a main state-run channel, open in all respects. In only one year, Jilin established business relations with more than 500 customers in China's 29 provinces and autonomous regions, concluding corn transactions in the amount of 717,000 tons. An important step was taken to reform the grain circulation system in Jilin province.

Jilin is one of China's major corn producers. Each year, excluding purchase orders, the three circulation channels, and special storage, a commodity volume of approximately 10 billion kilograms must be circulated. In the past this much commodity corn always was mainly consumed by localities. It was hard to avoid chaotic sales at the inter- and extra-provincial level, in particular, because of a lack of uniform management, inconsistent prices and resale at many levels. On 15 March 91 the provincial party committee and provincial government approved formal establishment of a provincial level special corn wholesale trade market to participate directly in corn market transactions under the leadership of the provincial government in order to turn as soon as possible Jilin's corn resource superiority into commodity economy superiority.

Although establishing and developing a market is the necessary path to reforming the grain circulation system in the direction of grain commoditization and marketization; in the past it was shouted, but never realized. Some even feared that they would be done poorly. One year of practice on the corn market proves that the decision for Jilin to establish a grain wholesale market under state leadership was correct. It also illustrates important functions regarding enlivening circulation and promoting sales. First, it made circulation smoother and promoted sales. In 1991 while the negotiated price grain market was soft and prices rather low, in only three months 1.76 million tons of negotiated price grain was sold outside the province; 690,000 tons were sold in Jilin, or 39 percent. Second, it stabilized prices and markets. When the wholesale market was first established, corn transaction prices were 0.5238 yuan per kilo. After one year, they were 0.55 yuan to 0.56 yuan per kilo. Thereby a "Jilin price" was created. Business was conducted effectively and the interests of both procurement and sales were protected. Third, it brought order to the environment, rectified the economic order, reduced the number of levels, and attacked reselling at a profit. Fourth, it attracted customers and regulated supply and demand relations.

At present, this corn market is in the midst of taking greater reform steps in regard to how to enhance regulation and control capabilities, engage in business at larger volumes, and adopt more powerful measures.

### Survey Reflects Higher Family Status for Women

OW0903024492 Beijing XINHUA in English  
0220 GMT 9 Mar 92

[Text] Changchun, March 9 (XINHUA)—Some 67 percent of women think they enjoy a higher status than their husbands in their families, and only 1.7 percent say they have a lower status, according to a survey on women's status in northeast China's Jilin Province.

Made by the Jilin Provincial Women's Federation and the Jilin Provincial Statistics Bureau, the survey is part of a nationwide survey project on Chinese women's social status. Some 898 males and 1,002 females in the province responded to the questions on the survey sheet.

With regard to family status, a considerable part of the females surveyed say that they and their husbands are equal partners.

The results of the survey more or less reflect the national situation.

The questionnaires cover the areas of education, employment, marriage and family, social and political involvement, and self-recognition.

The survey records the highest score for the legal status of women in China, as 81.18 percent of the men and 79.14 percent of the women questioned say they truly enjoy equal status in front of the law.

Women's family status comes next in importance, followed by their economic status and political involvement. The lowest score is found with women's status in social ethics, with only 42.87 percent of the males and 38.32 percent of the females thinking men and women are equal in this area.

The survey shows that 60.85 percent of the women under 40 years old have an education background at and above the junior middle school level, 43.94 percentage points higher than their mothers. And there is a tendency that the younger the woman is, the higher the education level she has.

As for employment, 87.13 percent of the women have a job or retired from work, 53.3 percentage points higher than their mothers. And only 3.49 percent of the women under 40 do not have jobs and are devoted to doing housework at home, some 56 percentage points less than their mothers.

According to the survey, most of the women have the self-decision-making power over their marriages, and the decision-making power was with their parents in the old society before 1949.

And 50.74 percent of the total say their family revenues are managed jointly by them and their husbands.

Some 59.18 percent of the women and 52.78 percent of the men disagree with or doubt the saying that men are paying more attention to social affairs while women are mostly confined in their families.

And 77 percent of the females show the same negative attitude on the question that women should avoid surpassing their husbands on social status. A total of 68.89 percent of the people surveyed have affirmed women's capability in political and economic affairs.

In all, the survey shows that women's status has improved greatly in the past 42 years since the founding of New China. However, in some cases, inequality is still found in employment and education opportunities between men and women. Girls are less valued than boys in some cases with regard to social ethics. The self qualities of women wait to be further upgraded, the survey concludes.

### Roundup Examines Tackling Problem of Illiteracy

OW3003040492 Beijing XINHUA in English  
0112 GMT 30 Mar 92

[Roundup: "Wiping Out Illiteracy, an Arduous Task for China"]

[Text] Beijing, March 30—Despite four decades of great effort and numerous achievements, the elimination of illiteracy still remains an arduous task for China.

Recent official statistics show that 180 million Chinese remain illiterate, 50 million of whom are between the ages of 15 to 40, who should have been taught to read and write within only a few short years.

In recent years, nearly four million former illiterates have graduated annually from training courses provided by schools and educational departments throughout China. Nonetheless, even if China maintains the present momentum, it will take at least 13 years to totally eliminate illiteracy in that age group.

A more difficult task facing educational departments rests in the following areas: The learning ability of the 130 million illiterates over the age of 40 is much lower than that of younger people, in addition to weaker memory; about 70 percent of the illiterates are women who are heavily burdened by household chores; most illiterates live in economically backward areas where educational facilities and resources are poor; large numbers of previously uncounted illiterates emerge, and many people who have received a primary education revert to illiteracy due to the lack further education; and, it is quite difficult to organize educational activities for illiterates who belong to the ever expanding migrant population.

The CHINA EDUCATION NEWS reported recently that both central authorities and local governments have adopted effective measures designed to eliminate illiteracy. For example, in 1988, the state council issued regulations designed to wipe out illiteracy. In addition, Heilongjiang, Henan, Jiangxi and Yunnan Provinces, as well as the Ningxia Hui and Guangxi Zhuang Autonomous Regions and Beijing Municipality have earmarked funds, and organized teachers and students to teach illiterates.

Compared to the massive problem faced four decades ago, China today is confident of the eventual success in its effort to eliminate illiteracy. The optimism is quite understandable, considering that prior to 1949 over 80 percent of the Chinese people were illiterate, while today the illiteracy rate has dropped to only 15.88 percent.

## EAST REGION

### Shanghai Policy To Attract Overseas Students

OW1904042892 Beijing XINHUA Domestic Service  
in Chinese 2112 GMT 18 Apr 92

[By reporter Liu Jun (0491 6511)]

[Text] Shanghai, 19 Apr (XINHUA)—This reporter has recently learned from the Shanghai Municipal Service Center for Returned Students that Shanghai is further improving its policy to ensure freedoms of occupational choice and movement for returned students. Intermediary stations for returned students will be set up in the Pudong New District and in the Caohejing, Minhang, and Hongqiao Development Zones to provide wide-ranging services in connection with household registration, liaison and job placement, the settlement of students' families, the application for funding for selected scientific research projects, and overseas travel after returning.

It is understood that since last year, the Shanghai Municipal Service Center for Returned Students has received over 2,900 returned students, handled approximately 700 letters, and settled 72 students with master's and doctoral degrees who returned from their studies in the United States, Japan, and Germany. The center has tried its best to establish contacts between returned students and hiring units as a means of broadening employment channels for students after their return and encouraging more overseas students to return to serve the country. As their primary task, workers at the center have verified the foreign academic credentials of returned students who studied abroad at their own expenses. They have established a database on returned students that constantly caters to the needs of developing Shanghai's local economy and of developing and opening up Pudong. The center has sent out forms soliciting information on needed personnel to 151 units throughout the municipality, obtaining specific data on the availability of 158 professional jobs and the demand for 238 returned students in the near future. Moreover, 485 Chinese students who are pursuing doctoral and master's degrees abroad have sent back information to their country on "their intentions after returning to the country and arrangements for assigning work units and resettling family members."

Personnel departments in Shanghai have specifically formulated "Several Provisions on Returned Students Who Work in Shanghai" to further attract overseas students and talents, including government-sponsored students who return after completing their studies. With the approval of the municipal Service Center for Returned Students, those who request jobs elsewhere because they do not want to return to their original work units may be recommended for placement in other units based on their professional skills. Returned students who work at "partly or wholly foreign-owned enterprises" in Shanghai will have their status guaranteed as cadres in

the state-owned sector. Units taking in skilled personnel needed for Shanghai's economic construction and Pudong's development may seek special assistance from relevant departments through the municipal Service Center for Returned Students if they encounter difficulties in adjusting their administrative structure, the numbers of professional and technical jobs, wage funds, and labor indexes. The municipal government has decided to allocate a set of special living quarters annually to solve the housing problems of returned students.

### Imitation Liquor Said 'Becoming Disaster'

92CE0372A Shanghai JIEFANG RIBAO in Chinese  
5 Mar 92 p 6

[Article by He Shishi (0149 0013 0013): "Imitations of Famous Alcoholic Beverages Becoming a Disaster"]

[Text] The ordinary resident of this city does not imbibe high-priced famous alcoholic beverages every day. It is only on a grand ceremonial occasion that he tastes one of them. Therefore, at this critical juncture in our country the making of "imitation maotai" is a sin.

The following incident is cause for indignation: At a certain guesthouse a candle-lit cocktail party was being held. A businessman who looked Chinese poured liquor into a small cup, and after clinking the cup of an elderly foreigner said: "I wish you joy this evening. Bottoms up!" Stiffly in Chinese the elderly foreigner replied: "OK, this is Chinese maotai!" So saying, the two men drained their cups. However, they then tightly knit their eyebrows and rolled their Adam's apples—this maotai was a fake.

Of course, the quality level of some imitations of famous white spirits are quite high, high enough so that they seem genuine. It is difficult for the ordinary purchasing agent to differentiate the genuine from the fake. According to a briefing given by a relevant unit, the bottle, bottle top, trade mark, and paper box of a certain imitation of a famous white spirit are all true to life, and if one is a little inattentive one will be misled. This is true to such an extent that, with regard to the quality and taste of some spirits, it is difficult for the ordinary person to see through the fakery and he must ask a full-time spirit taster to authenticate the spirit. In mid-January this year the municipality's Alcoholic Beverages Monopoly Control Bureau and other units inspected more than 170 units in the municipality that sell alcoholic beverages, and in only one week they discovered 16,423 bottles of famous spirit imitations, among them 4,224 of imitation wuliangye, 1,078 of imitation maotai, 10,283 of imitation site....

In addition to the problem in marketing, there is a more important problem, i.e., that in the manufacturing aspect. For example, there is only one distillery in the area that produces the famous spirit maotai. However, some small distilleries surrounding this producing area, which are not law-abiding, one after another colluded in "making connections," and they use the famous brand's

trade mark, bottle, wrapping and paper box when they manufactured an imitation, following which they peddled the imitation in various places in China. Suddenly an inexpensive "maotai" unexpectedly gushed out, and shops and individual bars of all sizes had it. However, the actual annual output of maotai is, at most, no more than 900 tons. Shanghai is allotted only 15 tons, of which the greater part is exported. Since this is the case, how can there be "more" maotai? Obviously, the question of "source" cannot be taken lightly.

Plugging up this "source" is really important. For Shanghai the key to this is the raising of the consciousness of the legal system on the part of the proprietors of commercial establishments, and the straightening out of their ideas of the way to do business. In Shanghai there are now 186 alcohol wholesale enterprises and 24,017 alcohol retail stores. The annual sale of all kinds of alcohol amounts to more than 400,000 tons. A spot check made last year showed that the municipality's Alcoholic Beverages Monopoly Control Bureau had ferreted out more than 32,000 bottles of imitation maotai and 30,160 bottles of imitation wuliangye, with a total value as high as 8 million yuan. What is the crux of the problem? One important reason for it is the serious

situation with regard to uncertified business operations. Last year 200 instances of uncertified business operations were discovered. These units did not know what they should have known about alcoholic commodities, and also did not, according to the regulations, send in samples for certification; or, getting a certificate of quality after sending in a sample of a famous spirit, they then did some window dressing after which they laid in a stock of imitation spirits and "apologized"; or they simply and boldly sent to the department in charge a false famous spirit quality report, false production permit, and false receipt for merchandise laid in... and so on and so forth... all in order to seek large profits regardless of anything else.

Recently, the "China Quality Ten Thousand-Li Firm," organized by the State Council, discovered many problems of false and inferior "famous spirits" that had already caused serious consumer dissatisfaction and had also adversely affected China's international reputation. As China's major open city, Shanghai, in this respect, has taken strict measures to enhance control so as to make the names of the famous spirits on Shanghai's market truly match reality.

### Businessmen Views on Political Investment

92CM0226A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 260, 7 Mar 92 pp 64-66

[Article by Tan Shu-chen (6223 3219 3791): "They All Fear Being Squeezed Like Cash Cows—Businessmen's Attitude Toward KMT's Fund Drive"]

[Excerpt] "Long Live Money!" Taiwan's political system has been inundated by money, and is getting worse with each election; money is the Kuomintang's [KMT] "milk of politics," and it is supplied by fat cats in the business world.

With the KMT objective of raising 10 billion yuan for the Party Development Fund, plans are to turn the fund drive over to a leading industrialist, Chamber of Commerce and Industry Executive Director Ku Chen-fu [6581 2182 3940] who will take overall charge of contacting contributors.

To meet the quota assigned to the industrial-commercial circles by the KMT, reportedly some 3 billion yuan, Ku Chen-fu has coordinated several times with Chamber of Industries Executive Director Hsu Sheng-fa [6079 0524 4099], Chamber of Commerce Honorary Executive Director Wang You-cheng [3769 0642 2582] and the Secretaries General of the three major associations, but still has not resolved the issue of whether quotas should be assigned on the basis of the individual, the association or the enterprises as a whole. According to an official of the Chamber of Industries, Ku Chen-fu's view tends toward targeting the head of each enterprise, and assigning different monetary quotas based on the size of each enterprise, which has lead to compilation of a preliminary name list (See table).

The problem with Ku Chen-fu's idea of assigning quota to heads of enterprises is that all of them are well known people in the media, who invariably are members of the three major industrial and commercial associations, or the associations' district level executive directors, and therefore are easily chosen as representatives by their associations. In this list, the heads of at least 10 enterprises favored by Ku Chen-fu are persons designated as key persons by their own associations. It is not surprising, therefore, that before the meeting on the 28th when final decisions on the fund drive will be made by the three major industrial and commercial associations, quite a few of these individuals have already had their pockets emptied. Said a younger-generation businessman: "Do you know where Ku Chen-fu put me on the list? If my name ends up near the top, I will skip abroad and let them try to find me!"

Another executive, who concurrently serves as executive director of one of the big three associations, said frankly: "The KMT normally has no dealing with us, paying us no mind, but when they need money, they go all out to track us down. Money is everything!" Sarcastically, he exclaimed: "Long live money!"

Ku Chen-fu, Hsu Sheng-fa, Wang You-cheng have not yet applied leverage and used their connections to solicit funds, and even the decision of which approach to take has yet to be discussed at the meeting on the 28th, but conflicts have surfaced over the types and overlapping levels of enterprises to be included in the campaign, leading to a retort from the enterprises that "this is but a good opportunity for Ku Chen-fu to test the loyalty and sincerity toward him on the part of enterprises." A business executive, and YPO member, said: "In his [Ku's] view, this is a task where he can demonstrate to the KMT not only his ability, but also his clout measured in terms of the amount of money he can raise."

Political fund raising is political party politics, and a by-product of political democracy; it provides the wherewithal for lobbying and campaigning, and is done in all countries. In our country, though we also have the so-called "political party contributions law," the problem is the number of times the KMT has asked businesses for money, so often in fact that businessmen turn pale at the invitation to yet another banquet. A second-generation executive who recently took charge of the business agonized over whether or not to accept such an invitation. Before showing up at a year-end banquet hosted by Li Teng-hui, this business executive probingly asked a reporter, "Should I go or not? Would he (Li Teng-hui) ask us to contribute money?" He then told about a banquet at Yuanshan he attended, a feast to which one went with either a check book, or a pen to pledge his contribution. He said: "Do you know how the KMT seats people at the table? They put Wang Chien-hsuan [3769 1696 3551] right next to me!" As to how much money he ended up pledging as a result of this seating arrangement, that would be another story.

Although all business executives may have negative feelings about this kind of political contribution, nevertheless once their names are selected, their attitude becomes one of "well, what else can I do?" A second-generation business executive whose name was picked said: "With the sunshine law still pending at the Legislative Yuan, one can only contribute and hope for the best!" Another business executive put it even more clearly: At this stage when no other political party is as powerful as the KMT, one can only hope that the KMT will bring to nongovernmental enterprises a large degree of stability, which is also to say that enterprises therefore contribute to ensure "stability."

But a KMT fund-raising campaign committee member (once a party member who, after being ignored by the KMT upon graduation from school, now no longer pays his membership dues), said he cannot say for certain whether political contributions by business executives are truly "selfless contributions" in terms of their political ideals, but he certainly believes that as far as demonstrating Ku Chen-fu's clout, enterprises see the contributions as "political investment" made for the objectives of preserving and expanding their businesses.

Especially of note is the fact that politics in Taiwan is now election politics, and commercial and industrial enterprises consider a most convenient way is to maintain their influence and power by working through their associations. Recently, although the associations can no longer directly influence election outcomes, they still exert influence on behalf of commercial and industrial entities. Therefore, while they "grumble in private, they openly seek to maintain a friendly relationship with the powers that be."

This major fund raising campaign of the KMT leads those who "fantasize about maintaining government-business connections" to examine it under a magnifying glass. They quickly sense the issue, "Why does the KMT want so much money and how will it be spent?" In Taiwan today when every election has rumors of bribery and influence peddling, these people have reason to wonder if the 10 billion yuan are not intended for the year's end Legislative Yuan elections. But said Ku Chen-fu, "The two things are entirely different. What's more, political fund raising is done in every country, and is a straightforward matter, 10 billion yuan is not that much money, with each party member contributing 100,000 yuan, the campaign will quickly be concluded!"

A director of the Association for Promotion of Commerce and Industry said that every enterprise selected is expected to pledge 10 units at a minimum, or 1 million yuan, and cash-rich enterprises can expect to contribute as much as 30 to 50 million yuan; "This is really akin to spiritual kidnapping, [one can't afford to simply] tear up the [ransom] note if one doesn't like it." One business executive whose name was on the list said: "You should know that even 1 million is a lot, I can't afford to lose that much money in a year." He then added, even if one had 10 or 100 million in one's pocket, then suddenly one-tenth is taken away, "you tell me whether it is painful or not!"

Another general manager of a well-known enterprise said mockingly, the KMT sometimes does not how to write Chinese characters; he said that when political contributions involve quid pro quo or are given "gladly," the word is written as "contribution"; but when a part-coercion formula is used every time designating donors by name, it is called "levy."

Giving money away is basically a painful matter, particularly when given without any direct or indirect benefits in return, it is even more painful. Enterprises run by non-KMT businessmen but who are considered friends of the party are probably the most resentful; yet even they consider it important to have a "friendly relationship" with every political party. Therefore they do not refuse a contribution request whether it comes from an "old-time K [KMT member]" or from an "old-time D [Democratic Progressive Party member]," but only resentfully point out: "Every fund raising campaign targets businesses, and every time it asks for tens of million yuan; if one were a KMT member, one would consider quitting the party." [passage omitted]

#### Target List of Contributors for the KMT Party Fund

Name	Enterprise	Note
1. Wang You-cheng [3769 0642 2582]	Chairman, China Li Pa Stock Co.	#
2. Wang Yong-tzai [3769 3057 0961]	Gen-Mgr, Tai Su Enterprises	*
3. Li Cheng-chia [2621 2052 1367]	Chairman, Mei Wu Fa Co	#
4. Wu Tong-chin [0702 2639 6651]	Chairman, Hsin Chuang Insurance	*
5. He Shou-chuan [01490 1108 1557]	Gen-Mgr, Yong Feng Yu Enterprises	#
6. Hsu Heng [1776 0077]	Chairman, Fu Tu Hotel	
7. Hsu Hsu-tong [1776 2485 2639]	Chairman, Yuan Fang Co	
8. Wu Shun-wen [0702 5293 2429]	Chairman, Yu Long Group	#
9. Miao Yu-hsiu [5379 5148 4423]	Chairman, Lien Hua Industries	#
10. Shih Chen-rong [2457 2182 2837]	Chairman, Hong Chi S&T Co	
11. Yin Chih-hao [3009 0037 3185]	Chairman, Ta Lu Engineering Co	
12. Kao Ching-yuan [7559 7230 1959]	Vice Chairman, Tong Yi Group	#
13. Chang An-ping [1728 1344 1627]	Gen-Mgr, Chia Hsin Cement Co	
14. Chen Chang-wen [7115 7022 2429]	Li Lu Law Firm	
15. Hsu Sheng-fa [6079 09524 4099]	Chairman, Tai Chih Motors	#
16. Huang Shih-hui [7806 0013 1920]	Chairman, San Yang Industries	#
17. Peng Yin-kang [1756 5593 0474]	Chairman, China Shipping Co	
18. Tsai Wan-lin [5591 8001 7207]	Chairman, Lin Yuan Group	
19. Chang Kuo-an [1728 0948 1344]	Chairman, Feng Chun Group	
20. Ku Lian-song [6581 3425 8388]	Chairman, China Trust Co	
21. Huang Mao-hsiong [7806 5399 7160]	Chairman, Tong Chih Electric	
22. Huang Cheng-wang [7806 2398 2489]	Gen-Mgr, Tai Long Industries	#
23. Yi Chih-fan [5902 3112 0416]	Chairman, Li Cheng Industries	
24. Lin Ming-cheng [2651 2494 2052]	Chairman, Yong Chi Tokyu Dept Store	
25. Hsu Chen-hsiong [6079 6297 7160]	Gen-Mgr, Tong He Steel	#
26. Hsu Hsiao-po [1776 1420 3134]	Li Lu Law firm	
27. Tao Chuan-cheng [7118 0278 2973]	Chairman, Kuo Feng Industries	

**Target List of Contributors for the KMT Party Fund  
(Continued)**

Name	Enterprise	Note
28. Liu Wei-te [0491 4850 1795]	Chairman, Cheng Yi Industries	
29. Hsieh Chong-pi [6200 1813 1732]	Chairman, Tai Tong Hsing Co	
30. Hsieh Nan-chiang [6200 0589 1730]	Chairman, Pai Yun Co	
31. Lin Tai-sheng [2651 3141 3932]	Chairman, Li Ying Fang Co	
32. Lin Tsu-ching [2651 6327 7230]	Chairman, Ma Shang Fa International	
33. Lin Wei-shan [2651 5588 1472]	Gen-Mgr, Ta Tong Co	
34. Sun Tao-tsun [1327 6670 1317]	Gen-Mgr, Pacific Electric Wire & Cable	#
35. Chen He-tong [7115 3109 2639]	CEO, San Shang Co	
36. Chang Tsao-hsiang [1728 2600 5046]	Chairman, Kuo Chan Motors	
37. Chen Fei-long [7115 7378 7893]	Chairman, Nan Chiao Chemical Co	#
38. Jiang Kuo-chun [5592 0948 6874]	Chairman Yuan Tong Machinery	#
39. Chen Sheng-tien [7115 4141 3524]	Chairman, Sheng Po Enterprises	
40. Chen Chong-kuang [7115 6850 0342]	Chairman, Yang Luo Do Co	
41. Chiao You-chun [3542 0147 6874]	Chairman, Hua Hsin Cable Co	
42. Chen Chiang-chang [7115 3068 4545]	Chairman, Tong Nan Cement	
43. Shen Yang-liao [3088 7402 1670]	Chairman, Fei Teng Industries	
44. Chen Tien-mao [715 3944 6931]	Chairman, Coca Cola Co	
45. Liang Chih-chuo [2733 3112 0948]	Chairman, Taiwan Ku Te Yi Co	
46. Wu Tsun-hsian [0702 1415 6343]	Chairman, Huan Ni Co	
47. Chou Yin-hsi [0719 7299 0823]	Chairman, Chong Hsing Textiles	
48. Luo Chie [5012 4814]	Chairman, Cheng Hsin Rubber Co	
49. Huang Nan-kuo [7806 0589 0948]	Gen-Mgr, Wei Chuan Food Co	
50. Hsu Wen-long [6079 2429 7893]	Chairman, Chi Mei Industries	
51. Chen Yang-tsang [7115 3152 3318]	Chairman, Tong Pei Industries	#
52. Chen Yu-hao [7115 3945 6275]	CEO, Tong Ti Shih Co	
53. Hsu Cheng-kuan [1776 2973 0385]	Chairman, Hou Sheng Enterprises	
54. Lin Sun-chung [2651 0981 6988]	CEO, Chong Ri Enterprises	#

**Target List of Contributors for the KMT Party Fund  
(Continued)**

Name	Enterprise	Note
55. Tsai Wan-tsai [5591 8001 2088]	Chairman, Fu Pang Group	
56. Chang Rong-fa [1728 2837 4099]	Chairman, Chang Rong Group	*
57. Lin Chia-cheng [2651 0857 2398]	Vice Chairman, Kuo Chan Industries	
58. Hsun Shu-chen [6079 3219 6297]	Chairman, Tu Lin Electric	
59. Chen Han-chun [7115 3352 2504]	Chairman, Kai Chui Co	
60. Lin Yu-chia [2651 3768 0857]	Chairman, Tai Po Co	
61. Chang Chuan-liu [1728 1557 3177]	Chairman, San Yang Electric	
62. Li Ke-chun [2621 0344 4546]	Chairman, Ke Lin Electric	
63. Tsai Neng [5591 5174]	Chairman, Taiwan Paper Co	
64. Li Chin-chih [2621 6651 2655]	Chairman, Taiwan Tse Sheng Tong Co	
65. Wang Tse-hua [3769 3320 5478]	Chairman, Chi Hsun Steel	
66. Wang Ching-hua [3769 7230 6647]	Chairman, San Chiang Paper Co	
67. Chiang Song-pen [3068 8388 2609]	Chairman, Chien Kuo Trading Co	
68. Wu Hsiu-yu [0702 0208 5148]	Chairman, Tai Nan Textiles	
69. Hong Min-hong [3163 2404 1738]	Chairman, Chien Hong Securities	
70. Hsu Feng-chie [1776 7364 2818]	Chairman, Hou Sheng Glass Industries	
71. Weng Pu-shan [5040 0091 1472]	Chairman, San Chuang Wei Da Co	#
72. Chang Min-chiang [4545 3046 1730]	Gen-Mgr, Pacific Construction	
73. Hsu Lao-you [6079 5071 2589]	Chairman, Man You Paper Co	
74. Chen Mu-hsiong [7115 2976 7160]	Chairman, He Tong Chemicals	
75. Chen Chi-chuan [7115 0796 1557]	Board Member, Nan He Properties Co	
76. Yang Ching-hsuan [2799 2529 3872]	Chairman, Nan Tai Enterprises	
77. Yang Tien-sheng [2799 1131 3932]	Chairman, Wang Yi Group	#
78. Ye Shan-tien [0673 1472 3944]	Chairman, Chung He Textiles	
79. Liu Kuo-chao [0491 0948 6096]	Chairman, Chi Chi Telecommunications	#
80. Tsai Kuang-chi [5591 0342 5120]	Chairman, Fu Ching Garment Co	
81. Hsieh Chen-te [6200 6297 1795]	Chairman, Ta Tong (Stock) Co	#



**Target List of Contributors for the KMT Party Fund  
(Continued)**

Name	Enterprise	Note
82. Han Hao-ran [7281 3185 3544]	Chairman, Ta Cheng Chang Enterprises	
83. Yan Shih-chung [7346 0013 1350]	Chairman, Long Te Industries	
84. Yan Hsing-chung [7346 5281 0022]	Chairman, Chin Yi Textiles	
85. Hu Ting-wu [5170 1353 0710]	Gen-Mgr, China Trust Co	
86. Lin Hsian-chang [2651 7359 4545]	Gen-Mgr, San Hsin Commercial Co	
87. Shen Pei-lin [3088 3099 7207]	Gen-Mgr, Tze Feng Chemicals	
88. Tsao Hsing-cheng [2580 5281 1004]	Chairman, Lian Hua Electronics	#
89. Wu Shao-lin [0702 4801 7792]	Chairman, Mirima Chemicals	
90. Sun Ta-wei [1327 1129 0251]	Chairman, Huan Ta Foods	
91. Yan Chang-shou [0917 7022 1108]	Chairman, Ya Tu Hotel	
92. Chen Lian-chuan [7115 0357 0278]	Chairman, Hsin Fu Cement	
93. Hsieh Lai-fa [6200 0171 4099]	Gen-Mgr, Chi Yie Electronics	#
94. Tsai Tu-hsiong [5591 4648 7160]	Gen-Mgr, Hui Chiao Trading Co	
95. Ye Song-ken [0673 8388 2704]	Gen-mgr, Yu Tien Motors	
96. Li Shui-tu [2621 3055 0960]	Chairman, San Fu Motors	
97. Yin Yan-liang [1438 5888 2856]	Chairman, Run Tai Enterprises	
98. Yu Wen-hong [0151 2429 1738]	Chairman, He Li Fabrics	
99. He Yu [0149 6133]	Chairman, Chiming Industries	#
100. Lin Ching-hua [2651 7230 5478]	Chairman, Yu Mei Furnitures	
101. Weng Ta-ming [5040 1129 6900]	Yi Hsin Group	
102. Hong Min-chang [3163 2404 2490]	Chairman, Kuo Ching Industries	#
103. Wu Ssu-chung [0702 1835 6945]	Chairman, Hsi Ling Electronics	#
104. Tai Sheng-tong [0271 0524 6639]	Gen-mgr, San Sheng Hat Mfg	
105. Shen Liao-ching [3088 1394 0079]	CEO, Wei Ching Group	#
106. Chu Chih-cheng [2612 1807 2052]	Chairman, Cheng Ting Metals	#
107. Chen Ta-hsiong [7115 6671 7160]	Gen-Mgr, Bei Hsin Needle Fabrics	
108. Hu Chiao-rong [5170 0294 2837]	Gen-mgr, Hsin Kuang Textiles	#

Notes: 1. \* Indicates non-KMT related enterprises but considered friend of the party. 2. # Indicates duplication on other organizational lists, to be coordinated after the 28th meeting. 3. Targeted contributors to this Party Fund drive include all businesses in the province, from north to central and south of Taiwan, with priority assigned to large businesses, and executive and standing directors of the three major industrial and commercial associations are expected to be among the contributors. 4. Other representatives of companies not listed herein must pledge one unit of 100,000 yuan if they are party members holding important managerial posts in those companies. [Chairman of the board of directors abbreviated as Chairman; general manager as gen-mgr]

**Role of Peng Meng-chi in 28 Feb Incident**

92CM0225A Taipei TZULI WANPAO in Chinese  
1 Mar 92 p 2

[Text] At the end of 1947, Peng Meng-chi, as the Taiwan garrison commander, reported to the Taiwan Provincial Legislature on the handling of the 28 Feb Incident. The report concluded by pointing out that the handling of the aftermath of the 28 Feb Incident was completely finished by Retrocession Day, "and from now on, I hope that this incident will never be mentioned again." But 45 years later, because circumstances have changed and the government and the people have a shared view, the 28 Feb Incident has solemnly arisen from the ashes of history and is once again seeing the light of day. One of the key people in the incident, then Kaohsiung fortress commander Peng Meng-chi, could not but break more than 40 years of silence and once again recall 28 February.

Peng Meng-chi, who was born two years before the Republic, is now 85 years old. Because of the detention and execution of local gentry, wanton strafing, and indiscriminate killing of Kaohsiung citizens during the 28 Feb Incident and the subsequent large-scale round-up of suspects in rural areas, he was dubbed "the butcher of Kaohsiung." In its report on the incident, the Executive Yuan's special small group on 28 February also stated that he "should bear partial responsibility for the massacre of Taiwan people during the incident." Some legislators in the Democratic Progressive Party compare Peng Meng-chi to Himmler, one of the Nazi commanders who slaughtered large numbers of Jews during World War II.

Peng Meng-chi is a general who graduated in the fifth class at Huangpu, and later, because of the 28 Feb Incident, was promoted to Taiwan garrison commander, and later chairman of the joint chiefs of staff. Even though in the white terror atmosphere of the 1950s he was surrounded by mystery, among older Taiwanese, the name Peng Meng-chi was synonymous with the word "butcher."

A few days ago, because the provincial archives department interviewed Peng Meng-chi, he broke his silence and stated that he "had no regrets" about the handling of

the 28 Feb Incident, and that "justice will remain in the people's hearts," but he still felt "very badly," Peng Meng-chi is from Wuchang, Hubei, and received his early training at Japan's Artillery Academy. Afterwards he entered the Huangpu Military Academy (the official name of the school had been changed from the Army Officer's Academy to the Central Military and Political Academy) as a political science student in the fifth class. At the same time, Hsu Hsiang-chien, a Chinese Communist Army leader, had just been appointed leader of Unit 1 in Huangpu's fifth class political brigade. Because Huangpu was where Chiang Kai-shek made his name, former Huangpu students have been called the "emperor's disciples." Since Peng Meng-chi had a background in the political arena and belonged to Chiang Kai-shek's military clique, most people think that this was the major reason Peng Meng-chi was still able to continue his rapid rise in officialdom after the 28 Feb Incident.

During the war between China and Japan, Peng Meng-chi took the post of artillery commander. When the war ended, the Nationalist government established the Taiwan Advanced Command Post then dispatched concerned personnel to Taipei to prepare for the transfer. Peng Meng-chi also arrived in Taiwan at the end of 1945, and was appointed Kaohsiung fortress commander, becoming one of a small number of high-ranking military officers who arrived in Taiwan during that early period. As I understand it, persons who arrived in Taiwan at that time belonged to complex factions, and Taiwan's top administrator, Chen Yi, was part of the Political Academy Faction. Even though he nominally held the concurrent post of Taiwan provincial garrison commander, there was in fact no way to control the garrison chief of staff, Ke Yuan-fen. Similarly, the garrison commander was also part of a different clique, and was directly controlled by Chiang Kai-shek, so Peng Meng-chi in fact was not subject to Chen Yi's command. As fortress commander, Peng Meng-chi was thus like an inspector-general in relation to Chen Yi.

Peng Meng-chi's relatively early arrival in Taiwan and early grasp of Taiwan's situation were major factors in his rise. Furthermore, because of his early arrival in Taiwan, he also avoided the awkward test of loyalty in the explosive period of the civil war between the Nationalists and the Communists. During the great cataclysm of the changing regimes, many Nationalist generals were killed and captured, deserted or defected, while Peng Meng-chi was in Taiwan building his career and gradually revealing his talents.

When the 28 Feb Incident took place, it sent shock waves throughout the central government in Nanking. On 18 March, Minister of Defense Pai Chong-hsi flew to Taipei to deal with the aftermath. After Pai Chong-hsi returned to Nanking, he recommended to the central government that the Kaohsiung major-general garrison commander Peng Meng-chi succeed Ke Yuan-fen as Taiwan garrison chief of staff. In May, the Taiwan Garrison Command was changed to the Garrison General Headquarters, and Peng Meng-chi was appointed chief of staff and was later appointed garrison commander and vice-commander of Taiwan's provincial public security. In 1954 he was promoted again to

deputy chief of staff with the rank of lieutenant general, and the following year was appointed chief of staff with the rank of full general. In 1957 he was appointed army commander-in-chief, and in 1961 he was appointed chairman of the joint chiefs of staff. In 1963 he was appointed presidential chief military aide, in 1966 he was ambassador to Thailand, and in 1969 he was ambassador to Japan. Later, as general of the first rank, Peng Meng-chi was appointed presidential strategic advisor, a post he holds to this day, and he is now a very high-ranking elder of the military.

However, in November of the year that Peng Meng-chi was appointed garrison chief of staff, Sun Li-ren also flew to Kaohsiung with full powers to establish the Army Officers Academy. No one expected that six years later, because of one exercise, this American-educated, brilliant army leader would be groundlessly accused and many others would be implicated in the "Sun Li-ren Incident," and that from then on he would suffer an uncorrected injustice and die a dejected man.

In the relaxed atmosphere of the past few years, Kuo Ting-liang, one of the main players in the Sun Li-ren Incident, wrote a testimonial of tens of thousands of characters and went to many departments to seek rectification in the case of the Sun Li-ren Incident. In his testimonial, he revealed that after the incident, the authorities formed a nine-person investigating committee made up of Wang Yun-wu and others, which investigated the incident. Peng Meng-chi, who was chairman of the joint chiefs of staff, showed the nine-person committee a personal address book belonging to Kuo Ting-liang, to prove that Kuo had a network of collaborators among middle and low-ranking officers that numbered more than 100, which was planning to stage a coup. This address book also subsequently became one of the main pieces of evidence against Sun in the "attempted coup" case.

Was Peng Meng-chi actually involved in bringing the case against Sun Li-ren? How deep was his involvement? Outsiders have so far not been able to determine that. But when the central government came to Taiwan in 1949 and tried to strengthen the leadership's authority after their major defeat, there was a power struggle in the upper echelons of the Kuomintang. In July of that year, Chiang Kai-shek secretly convened a "political action committee" in Kaohsiung with Chiang Ching-kuo as its head and 10 intelligence chiefs as its members. It reorganized the intelligence organization and activities in Taiwan. Peng Meng-chi, as deputy commander of the Taiwan garrison, was one of the 10 members, and became an important influence in the subsequent planning and development of the intelligence system.

Peng Meng-chi, as the deputy commander of the Taiwan garrison, the deputy director of public security, and deputy chairman and chairman of the joint chiefs of staff during the subsequent white terror period, cannot escape association with several major framed convictions and miscarriages of justice.

In general, a true military man should be judged only by his achievements and victories in protecting his country from foreign aggression. However, this "military elder" has been described by many present military leaders as "only of the garrison command clique, never led soldiers in war, and we don't understand him."

In fact, in the process of transferring power between the elder President Chiang and the younger President Chiang, Peng Meng-chi was always relied upon by the regime because he was able to maneuver himself advantageously. In official circles, he always belonged to the mainstream, and when he became chairman of the joint chiefs of staff because of the death of Kui Yong-ching, it was seen as a big surprise. When he became chairman of the joint chiefs of staff for the second time, it was seen as the result of victory in a power struggle with the prominent air force general Wang Shu-ming, who was then chairman of the joint chiefs of staff. In a short time, Peng Meng-chi was promoted again, and it was felt that except for his contribution in the "28 Feb battle," all of his other honors were related to his connections to the regime, and his ability to determine the direction of the political wind.

Even though Peng Meng-chi has long since left the political scene, with his background and his connection to the 28 Feb Incident, people cannot help thinking of him when "28 Feb" is mentioned. When "Peng Meng-chi" is mentioned, it is difficult not to think of "28 Feb." Because of this interconnected fate, even though he has lived for 45 years without talking about "28 Feb" and is now retired, as the 28 Feb Incident is being re-evaluated and redressed, it is still difficult for him to escape the political responsibility in the victims' search for the perpetrators, much less the administrative and criminal responsibilities. Peng Meng-chi, the 85-year-old "army general of the first rank," is now, late in his life, truly facing the harsh trial of a "criminal."

#### **Four Major Political Homicide Cases Remain Unsolved**

*92CM0225B Taipei TZULI WANPAO in Chinese  
28 Feb 92 p 3*

[Text] While the special small group formed by the Executive Yuan was reinvestigating and redressing the

28 Feb Incident, Legislator Tien Tzai-ting requested that the Executive Yuan also form a special impartial investigating small group on the grandparent-grandchild murder case in the Lin Yi-hsiang residence, the homicide cases of Chen Wen-cheng, Ph.D., and Yu Teng-fa, the case of Kuo Ting-liang's death by jumping off a train, and other "political homicide cases," to reopen and retrace the investigations and redress "the other 28 Feb" and give their families justice and restitution.

Tien Tzai-ting also pointed out in a written inquiry to the Executive Yuan that the police handling of the grandparent-grandchild murder case in the Lin residence in 1980 was unfocused, and in the last 12 years they have used perfunctory excuses and have not made any progress. In the homicide case of Chen Wen-cheng, Ph.D., in 1981, the police paid scant attention to suspicious torture wounds on the body and instead followed the hypothesis of accidental death and "death from falling from a high place." In 1989, Yu Teng-fa's body was found in a pool of blood, and the police stubbornly viewed and investigated the death as accidental. In November of last year, after Kuo Ting-liang fell onto a train platform in Chongli and died of serious injuries, the police also did not pay appropriate attention to the fact that the testimonial that he was carrying requesting the reopening of the Sun Li-ren case disappeared, and the possibility that he was pushed off the train by someone who was chasing him to grab the document.

Tien Tzai-ting stated that the circumstances of the above homicide cases all seem to be sensitive "political assassination" cases, and are all still unsolved. During all this time, many suspicious circumstances have been left unclarified, and this type of white terror is an extension of the shadow cast by the 28 Feb Incident.

Tien Tzai-ting has indicated that since the Executive Yuan's special small group on the 28 Feb Incident has already published parts of the historical record and given the victims redress, they should go a step further to sincerely solve the above-mentioned unresolved "political homicide cases," to assuage the buried injustices suffered by the families of the victims for so many years, and to answer to the general public.

Case	Date	Early Developments in the Case	Reactions From Various Quarters	Subsequent Developments
No. 1: Massacre of three members of the Lin Yi-hsiang family	28 Feb 1980	The case was always stalled, and no perpetrator was found.	Great concern over this case was expressed inside and outside the country, which exerted great pressure on the KMT. Because Jiabo appealed to Amnesty International, the KMT did not dare charge him.	The focus was concentrated on an American, "Big-Beard Jiabo." Jiabo was deported; as of now there has been no break in the case.
No. 2: Homicide Case of Chen Wen-cheng	3 Jul 1981	From the beginning, the police maintained that Chen Wen-cheng committed suicide by jumping off a building.	The clues did not support the suicide hypothesis. The day before Chen Wen-cheng's death, he was interviewed by the General Garrison Headquarters, and never returned. Outside observers suspected a political assassination. The KMT strenuously denied responsibility.	Two days afterwards, the investigation turned its full effort in the direction of homicide. A few days later, the General Garrison Headquarters held a press conference suggesting the possibility that Chen Wen-cheng committed suicide for fear of being exposed. The investigative report confirmed that Chen Wen-cheng committed suicide.
No. 3: Homicide Case of Yu Teng-fa	13 Sep 1989	Coroner Yang Ri-song went south to perform an autopsy, and proved that the death was caused by a blow from a blunt object, and concluded that it was a homicide.	After it was proven that Yu Teng-fa was murdered, there was a huge uproar in all quarters, and one by one people made the connection with political assassination. The KMT absolutely denied it. The police focused their efforts on one person and ignored other important clues, which aroused the dissatisfaction of the Yu family and the strong suspicion of outside observers.	The police investigation pointed to persons known to the Yu family, and at the same time seemed to point only to Yu Teng-fa's third wife, Wu Hsiu-ching. Coroners from the Republic of China and the United States performed a joint autopsy. The case turned toward "accidental death"; henceforth, the police turned toward actively collecting evidence in support of accidental death. On 29 October, newspapers reported that it had been confirmed that Yu Teng-fa died from a fall.
No. 4: The Homicide Case of Kuo Ting-liang	16 Nov 1991	The investigation report stated that his death was caused by oversleeping and jumping off the train, falling onto the platform and seriously injuring himself, and therefore was an accident.	The family believed that even though he was 71 years old, his health was robust, he never had a record of oversleeping and missing his stop, and they suspect that he was murdered.	He was an important figure in the Sun Li-ren case, and held a great deal of evidence detrimental to some high-ranking military leaders in the reopening of the case, which he was just about to publicize.

**Editorial on Wealth Distribution, Six-Year Plan**  
92CE0378A Taipei CHING-CHI JIH-PAO in Chinese  
11 Mar 92 p 2

[Editorial: "Wealth Distribution and the Six-Year Plan"]

[Text] Recently there have been two simultaneous problems that we should be aware of. One is the continually expanding gap between the poor and the rich. Auditing department data reveal that the income of the richest one-fifth of Taiwan's families is several times that of the poorest one-fifth, increasing from 4.17 times in 1981 to 5.18 times in 1991. The results of a survey of national wealth before the turn of the year revealed that the richest one-fifth of families had 17.5 times as much in fixed assets as the poorest one fifth of families. Moreover, the results of a public opinion survey from the beginning of this year indicated that 66.3 percent of those interviewed believed that in present society the disparity between the poor and the rich is a serious problem or an extremely serious problem; 30.9 percent of those interviewed believed that the government is inattentive or extremely inattentive to the problem of the disparity between poor and rich; and 84.5 percent of

those interviewed believed that the government needed or really needed to take action to relieve the problem of the excessive disparity between poor and rich.

The second problem is that the raising of funds for the national construction plan has run into trouble. The Bureau of Finance has already given a red light to the Six-Year National Construction Plan that has been unfolding since last year. On the one hand, the surpluses in the government's routine accounts have been greatly reduced from year to year. On the other hand, expenditures for government investments have constantly increased. For a long time, there has been no other way but to continue to expand the issuance of government bonds (borrowing money from our children and grandchildren) or increase taxes (borrowing money from this generation of citizens). But increasing taxes can elicit a reaction from industrial and business circles and from ordinary citizens and expanding the issuance of government bonds can increase the government's interest burden to the point of falling into the predicament in the future of using bonds to support bonds, and also is opposed by a number of people.

The above two problems appear unrelated, but they really are.

In the latter we are talking about the problem of national construction plan expenditures. For example, with the high speed railroad the main reason that the national treasury was very heavily burdened was that the cost of constructing the high speed railroad were enormous, but its own rate of repayment was less than 50 percent. If its own rate of repayment could have been raised from less than 50 percent to 80 or 90, or even 100 percent, the cost that the national treasury was required to bear could have been greatly reduced and finances would not have incurred difficulty.

How would we raise the rate of the high speed railroad's own repayment? The best manner is for the government as much as possible to devise a way to acquire the benefits produced by the high speed railroad and include them in the budget. Any plan that is worth doing must have more benefits than costs, such as the government as much as possible taking control of all or most of the benefits. The self repayment rate must exceed or approach 100 percent. Otherwise this plan simply should not be approved.

The greatest benefit of the high speed railroad is the reduction in the south to north commuting time and the prosperity brought to the areas near the stations established. The first benefit will be reflected in the income from future ticket prices. I believe that is already included in the present high speed railroad financial plan. The second benefit will be reflected in future increases in land prices in areas adjacent to the stations established. This part of the benefits should be even greater than the first. But it is not appropriately included in the present high speed railroad plan. This is the key reason that there is no way to raise the rate of self repayment.

The government cannot get a hold of the profits from the increase in property values, but there certainly are people who get them. When construction of the high speed railroad is completed, the area near the stations established will constantly become prosperous. Such facilities as large new residential districts, golf courses, recreational parks, commercial centers, and department stores will appear and property values will continuously rise. The landlords, corporations, and local forces will reap the profits.

This is strange. The construction costs of the high speed railroad must be borne by all the citizens (including the children and grandchildren), but the principal benefits gained from the high speed railroad are given over to a group of fortunate specially designated parties. This kind of plan violates the principle of social equity. This type of plan not only cannot resolve the present expanding disparity between the poor and the rich, but it will make the disparity between the poor and the rich expand even more.

Under these circumstances, I am afraid that any proposal to expand the issuance of government bonds or increase taxes to support the Six-Year National Construction Plan would have a hard time getting the support of the majority of the people.

Under these circumstances, a most reasonable way out is to change the orientation of the Six-Year Plan for National Construction and include in the plan as much as possible the increase in property values brought about by the national construction plan. Take the high speed railroad for example. Do not wait until after the high speed railroad is constructed. Come to an agreement with civilian businesses and local landlords from the time that the civilian businesses develop on their own and begin construction and formulate an overall cooperative plan with civilian businesses and local landlords to include residential districts, golf courses, recreational areas, department stores, and hotels. Later the government, businesses, and local landlords can enjoy the benefits of the increased property values together.

One of the advantages of this type of plan is that it can greatly increase the rate of self repayment, even reaching or exceeding 100 percent. The entire citizenry could enjoy the stepped up benefits and it would not cause the distribution of wealth to further worsen. A second advantage is that using an overall perspective to develop transportation and new urban areas can facilitate a rapid rise in the local quality of life. A third advantage is that the government and the citizenry working together can lower the risk for civilian businesses. It should be a plan that taxpayers, landlords, and civilian businesses all will want to support.

On the contrary, if we do not adopt this kind of a plan and, as now, use issuing government bonds as much as possible as the method of raising financial resources, not only will the government deficit become ever more serious, but it also could lead to further worsening of the distribution of wealth.

The choice should be very clear. The government must seize the day and, beginning from the viewpoint described above, once again review the orientation of the Six-Year Plan for National Construction.

### **Export Orders Reach Record High in March**

*OW2204090592 Taipei CNA in English 0745 GMT  
22 Apr 92*

[Text] Taipei, April 22 (CNA)—The Republic of China [ROC] booked a monthly record high of \$6.8 billion in export orders in March, an advance of 5.94 percent over the same month of last year, the Ministry of Economic Affairs (MOEA) reported Tuesday.

According to ministry statistics, the March figure represented an impressive hike of 24.63 percent or \$1.34 billion from February. First quarter export orders reached \$18.69 billion, up 6.09 percent or \$1.07 billion from year-earlier levels.

As compared with the same month of last year, the MOEA said, information products posted the biggest gain of \$140 million in March, followed by textiles and metals.

Export orders from Hong Kong in March topped the list, up 24.93 percent from a year ago; those from Europe and the United States were up 12.76 percent and 11.30 percent respectively, the statistics showed. However, orders from Japan fell 3.82 percent last month.

### Trade Ties With United Kingdom Growing Rapidly

OW2004082792 Taipei CNA in English 0730 GMT  
20 Apr 92

[Text] Taipei, April 20 (CNA)—Economic and trade relations between the Republic of China [ROC] and the United Kingdom are developing on a fast track, Samuel C. Shieh, governor of the Central Bank of China (CBC), said Sunday.

Shieh said upon his return from London that Taiwan-Britain trade more than tripled to \$3.2 billion in 1991 from \$900 million 10 years ago.

In order to meet the fast growing trade needs, five Taiwan banks have opened offices in Britain, he noted, adding that the Republic of China's representative office in London has also been upgraded.

Since the Republic of China has recorded a \$1 billion trade surplus with Britain each year, Shieh said, there is much room for the sale of British products in Taiwan.

The central banker said he had made it clear during his stay in Britain that the Republic of China will continue to push for the financial liberalization and internationalization of the Taiwan stock exchange.

The inward remittance of mutual funds into the Taiwan stock exchange, though being slowed, will in no way be suspended, Shieh stressed.

CBC stopped inward remittances last month when the new Taiwan dollar was surging against the U.S. greenback in the hope of minimizing buying pressure on the local currency, but the central bank reopened remittance applications by fund managers at a later date.

Shieh also confirmed reports that former British Prime Minister Margaret Thatcher will visit Taiwan in early September.

Thatcher and Shieh met for 70 minutes to discuss a wide range of topics, including Sino-British ties and the development of Eastern Europe after the demise of communism.

Shieh said he is deeply impressed by Thatcher's great learning. She has a clear picture of Taiwan's development and in particular gave high marks to its economic performance Shieh said.

### In Fiscal 1993 GNP To Top \$220 Billion

OW2803125792 Taipei CNA in English 0749 GMT  
28 Mar 92

[Text] Taipei, March 28 (CNA)—The Republic of China's gross national product (GNP) in fiscal 1993 will reach NT\$5,630.64 billion (\$220.17 billion), an increase of 11.03 percent over a year earlier, an official predicted Friday.

Yu Chien-min, director general of the Directorate General of Budget, Accounting and Statistics, told a Legislative Yuan session that the per capita income will total NT\$271,925 (\$10,622) in the fiscal year beginning July 1.

Real economic growth in the year will reach 7 percent. Wholesale prices and the prices of imported commodities will decline a little, but the prices of foods and services will rise mildly in the year, he added.

### Money Supply Grows at Slower Pace

OW2404092892 Taipei CNA in English 0842 GMT  
24 Apr 92

[Text] Taipei, April 24 (CNA)—Governor Samuel Shieh of the Central Bank of China (CBC) said Thursday he was pleased that the domestic money supply increased at the relatively slower pace of 16.5 percent in March.

The broadly defined M2 monetary aggregate—comprising cash in circulation, savings accounts, check and time deposits, and quasi-money—grew at an annual rate of 19.38 percent in January and 18.20 percent in February.

Shieh attributed the gradual slowdown in M2 growth to CBC's "cautious" monetary policies. The tightening of money supply has begun to take effect, he said.

When asked if money supply growth will fall to CBC's 15 percent target in the short term, Shieh said, it will hinge on the new economic and monetary situation.

### Cabinet Approves Free Gold Trade

OW0105093892 Taipei CNA in English 0822 GMT  
1 May 92

[Text] Taipei, May 1 (CNA)—The cabinet Thursday agreed to deregulate gold trade in line with the government's economic liberalization policy. The decision was made during a weekly cabinet meeting, with Premier Hao Po-tsun presiding.

After the deregulation, gold will be freely exported or traded here as a general commodity. Presently, the government allows gold imports but bans its exports.

The cabinet Thursday also approved a package of revisions to the current foreign exchange regulations jointly prepared by the Ministry of Finance and the Central Bank of China. The revised regulations will authorize

finance authorities to restrict gold exports and foreign exchange dealings when the country is in a state of emergency.

Another major revision is that exporters and importers will be required to report to financial authorities their foreign exchange settlements for export/import deals. The move aims to enable the government to better understand capital flow in the country. The revised regulations also include possible penalties for those failing to abide by the new rules.

The repeal of the existing gold trade regulations and the proposed amendments to the current foreign exchange statutes are still subject to legislative approval.

### **Nation World's 7th Largest Computer Maker**

*OW2103091192 Taipei CNA in English 0810 GMT  
21 Mar 92*

[Text] Taipei, March 21 (CNA)—With concerted efforts of the government and the private sector, the Republic of China [ROC] has emerged as the world's seventh largest information product manufacturer, the Council for Economic Planning and Development (CEPD) reported Saturday.

Taiwan churned out \$6.9 billion worth of computer-based products in 1991, up from \$32 million in 1978, the council said.

Exports of information products reached \$6.5 billion last year, making the industry Taiwan's third largest foreign exchange earner.

Under the government's export-oriented development strategy, the CEPD said, Taiwan has become an export processing and machinery assembly stronghold. The ROC now commands a 3 percent-strong share of the world information product market.

Local computer makers, however, rely heavily on Japan and the United States for the supply of core parts and components, the council noted. Huge imports of electronics parts have been a major factor behind Taiwan's snowballing trade deficits with Japan.

Take notebook computers as an example. Such core parts as CPU (central processing unit), DRAM (dynamic random access memory), chips, keyboard opener and LCD (liquid crystal display) account for more than 40 percent of total production costs of a notebook computer and all these items are imported from Japan or the United States.

The CEPD said Japan has replaced the U.S. as the world leader in the information industry. Japan's Sharp Corp. has become the world's top LCD maker.

The council urged local makers to learn from such Japanese industrial giants as Matsushita, Toshiba, Sanyo and Sharp, and invest heavily in research and development in order to maintain their niches in the increasingly competitive world markets.



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